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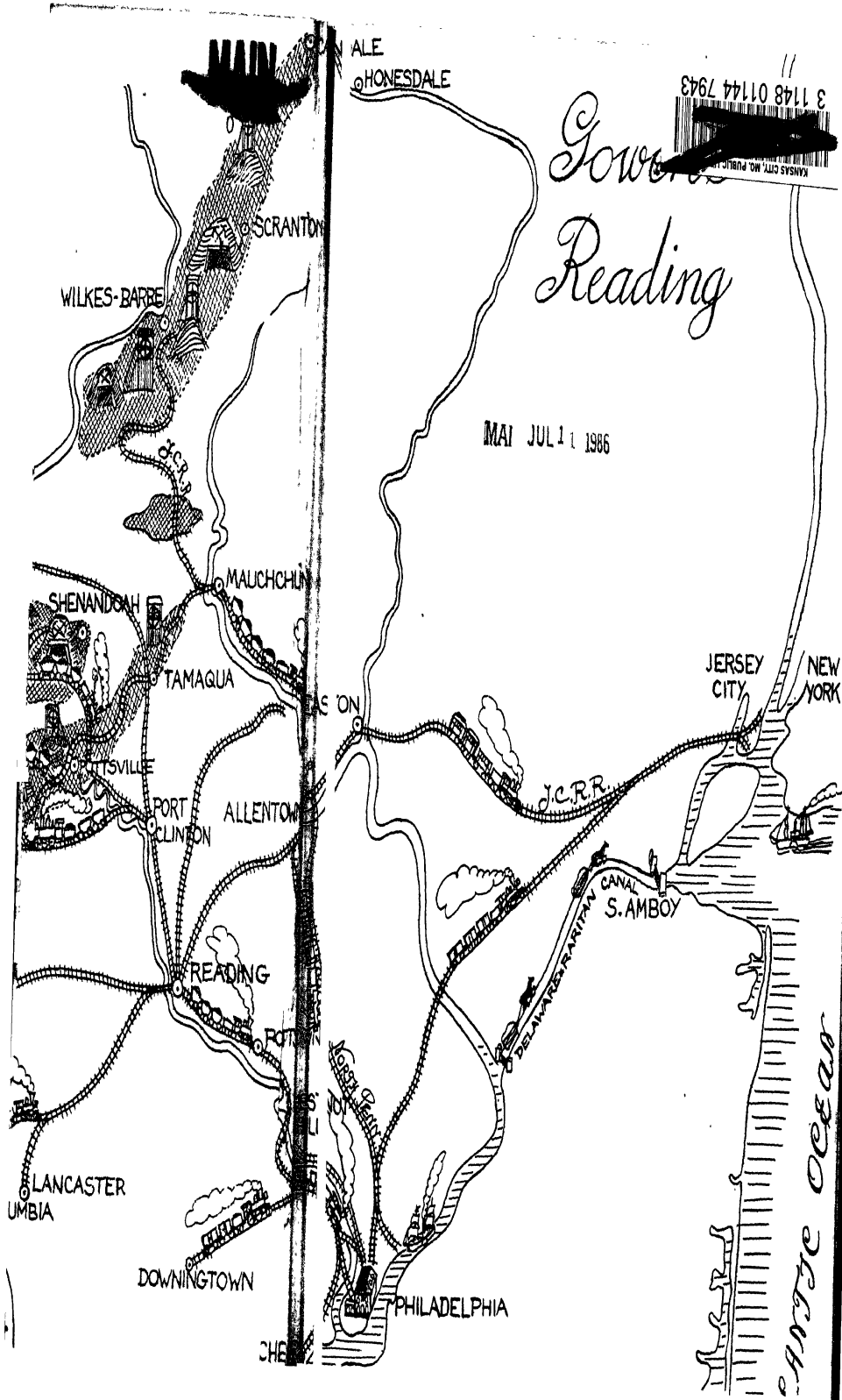
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Ruler of the Reading: The life
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Ruler of the Reading:
The Life of Franklin B. Gowen,
1836-1889

BY
MARVIN W. SCHLEGEL

ARCHIVES PUBLISHING COMPANY OF PENNSYLVANIA, INC.
HARRISBURG, PENNSYLVANIA
1947

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FOREWORD

If Franklin B. Gowen, onetime President of the Reading, had been living in our time, his activities would undoubtedly have resulted in his having been brought before the Federal Trade Commission, the Interstate Commerce Commission, the National Labor Relations Board, and half a dozen other alphabetical agencies.

On the other hand, it is certain that Mr. Gowen would have been in favor of those agencies. In fact, he was one of the first railroad executives to advocate the Interstate Commerce Commission. He, likewise, approved the principle of collective bargaining, though he had his troubles with labor and the budding union movement of his day. He was responsible for the first written labor contract in the mining industry of this country, and for the first important use of arbitration to settle a wage dispute. He set up the first non-contributing system of workmen's compensation in the anthracite industry, if not in the United States.

In terms of railroad management practices, he was one of the first to urge abolition of the free pass evil. The last ten years of his life he was fighting the rebate system as a vicious practice of no value to the railroads and very detrimental to their public relations. He was the first also to form an industry-wide agreement to stabilize prices. He was always an advocate of the policy that prices must be kept low to keep consumption of goods and services at a high level.

Franklin B. Gowen was truly an amazing individual. His dramatic personality and his airy optimism are almost infectious. In his way he was pretty much of a dictator and he ran his business in what most people would consider a very high handed fashion. He was indeed, as Dr. Schlegel has indicated, the "Ruler of the Reading."

This is an interesting book, especially to anyone interested in the history of the American railroad as an institution. It has many valuable sidelights on other aspects of our American economy and its connections with the growing system of national transportation in those lusty years of the 70's and 80's. There will be disagreement with some of Dr. Schlegel's conclusions, but these do not impair the value of his information. As one personally acquainted with the problems of railroad management in the times, I found this history of the problems and personalities of another day most interesting and worthwhile.

R. W. BROWN, *President*
Reading Company

TABLE OF CONTENTS

CHAPTER	PAGE
Preface	vii
I. Pottsville Lawyer	1
II. The Coils of the Octopus	12
III. The Improvement of Laurel Run	32
IV. Railways and Waterways	49
V. Death of the Union	62
VI. Attorney for the Defense	77
VII. The Children of Molly Maguire	87
VIII. Alias James McKenna	99
IX. Laying the Foundations	114
X. The Mollies in Court	126
XI. Reign of Terror	139
XII. The Combination Breaks Up	153
XIII. Peace and War	167
XIV. Brink of Disaster	186
XV. Deferred Income	201
XVI. Battle of the Proxies	218
XVII. Triple Alliance	231
XVIII. End of a Friendship	246
XIX. Pax Romana	262
XX. Private Practice	273
XXI. Finale	286
Appendix A	291
Appendix B	292
Bibliography	293
Index	299

PREFACE

In the decades following the Civil War American industry grew to a brawling, lusty manhood. Out of the turbulent battles of the era emerged the giants whose names still dot the pages of American history, like Carnegie, Gould, Rockefeller, Morgan, and Vanderbilt. Towering as high as any of these in his time was Franklin B. Gowen. No businessman of the day, in fact, was better known than Gowen; in an age when business shuddered at the very thought of publicity, he gloried in it. With the instinct of the born actor he captured the spotlight throughout a career which could scarcely have been better plotted by a dramatist.

He reached theatrical heights when he stood in a crowded Schuylkill County courtroom in 1876 and held his listeners breathless while he described the terroristic reign of the Molly Maguires from which they had just been saved. It is a tribute to his oratorical powers that he so firmly fixed the outlines of the Molly Maguire legend with that single speech that hardly a historian since has questioned its truth. Yet the facts show that there was far more terror waged against the Mollies than those illiterate Irishmen ever aroused.

Five years earlier he had alarmed an America, already disturbed by the growing power of the railroads, with a dramatic demonstration that these transportation companies held a life-and-death power over business. He had grappled with the nation's first industrial union and finally crushed it in a bitter struggle. He had shown unusual foresight by preaching the doctrine of low prices to improve business. He had ended the cut-throat competition of the anthracite industry by organizing America's first cartel.

He borrowed millions upon millions to make the Reading Railroad one of the largest corporations the world had ever known and saw it crash into bankruptcy. He packed Philadelphia's Academy of Music with discussions of the Reading's financial affairs when he fought with the English bankers who controlled the company. He battled the Standard Oil monopoly and drew William H. Vanderbilt into his ruinous war with the Pennsylvania, which resulted in the famous ghost railroad, the South Penn. Every act was staged with an eye for its effect; even his death was theatrical.

This is the story that is told in these pages. Although the disappearance of Gowen's personal papers has left tantalizing gaps in his portrait, it has been possible to bring much of his incredible personality back to

life. The author has tried to make the picture as vivid as the fading colors and his own inadequate talents permit. He has been sympathetic in his treatment, but has not painted out the warts.

In the writing of this book the author had the help of many friends. He wishes to express his appreciation to Professor Allan Nevins, who suggested the subject and furnished much helpful advice; to Dr. S. K. Stevens, who read and criticized the entire manuscript; to Hans Friedenfelt, who designed the jacket and end-pages; and to Dorothy B. Schlegel, who aided in the research and in typing the manuscript. He remembers with gratitude Mrs. George Keiser, of Pottsville, who so kindly granted him the use of her father's papers, as well as the others who gave him information, Miss Ellen Gowen Hood, Judge George Gowen Parry, Dr. Herbert Beck, the late William Wilhelm, and the librarian of Mount St. Mary's College.

He is also indebted to Penrose Hertzler, who made the records of the Philadelphia and Reading Coal and Iron Company available, to the officers of the Reading Company, who furnished a number of rare pamphlets, to Colonel Henry W. Shoemaker, and to the staff members of the Pennsylvania State Library, the Historical Society of Pennsylvania, the Philadelphia Free Library, the New York Public Library, the Library of Congress, and the Library of the Bureau of Railway Economics. To Miss Edith Patterson, of the Pottsville Free Library, perennial inspiration to all delvers in Schuylkill County history, and to William Dietrich and the late Claude Unger, of the Historical Society of Schuylkill County, he wishes to pay special tribute for their unflinching assistance. All these persons and many others share in whatever credit this book deserves; for its flaws the author alone is responsible.

CHAPTER I

POTTSVILLE LAWYER

Sometime in 1811 a young Irishman must have stood in the stern of a vessel heading out across the Atlantic, and looked back on the white cottages dotting the green, rounded hills of Ireland. In such a cottage in the village of Newton-Stewart, County Tyrone, he had been born, like a proper Irishman, on St. Patrick's Day, just twenty-one years before. There he had lived, while he followed the trade of his father, Daniel Gowen, the weaver. From that home he had gone to the Academy of Strabane and thence to the house of a wealthy family, where he had served for two years as a tutor. Now this past was receding behind him, as the land fell away below the horizon. James Gowen was off to America, where a weaver's son might become a gentleman.

He landed in the bustling port of Philadelphia, the metropolis of the New World. There a merchant named Henry Pratt took him on as a clerk in his counting-house. When war broke out next year, James Gowen did his bit for his newly-adopted country by helping to fortify the city against an anticipated invasion. As trade boomed with the return of peace, he went into business for himself. Success attended all his ventures until a panic in 1827 brought financial reverses. Undaunted, he started afresh as a grocer, then became a wine and liquor dealer. Before he was fifty-nine, he had acquired enough wealth to turn over his business at 81 Dock Street to his junior partner and retire to Mount Airy as a gentleman agriculturist.

James Gowen's interests meanwhile had wandered far afield from Dock Street. He had shown his sympathy for other young Irishmen, who had set their faces west, by joining the Hibernian Society for the Relief of Emigrants from Ireland in 1817. In the society he had taken an active part, serving on its Acting Committee for nine years. He was prominent in religious affairs, and was elected a vestryman in St. Paul's Episcopal Church.

With all his devout Episcopalianism, he was an ardent advocate of religious tolerance. He opposed the chartering of an American Sunday School Union, because he feared it might arouse jealousy among the various denominations. He suspected the organization might be diverted to other purposes, remarking sagely:

I have heard of a mill being chartered which immediately after, resolved itself into the milling of *Bank Notes*; and of a Bridge

Company, who turned their bridge into a *Bank*, upon which the knowing ones walked over dry shod, while the flats were left floundering in the mud.¹

When a society to convert the Jews was proposed, he picked up his pen to write a letter to the editor, asking:

Are they merely to be a contributing or collecting society, to raise a fund to pay missionaries to convert the Jews abroad? If this be all, I am content, for that is quite innocent, and simple; it has been often tried, and has done very little harm.—But if this society has resolved itself into an association for the conversion of our citizen Jews, then here is the serpent's sting, here is the intolerance which I deprecate, and here is an insult offered to a respectable part of the community.²

His interest in education was acknowledged by election as director, and later comptroller, of Philadelphia's public schools. His public position made him a director of the Bank of Pennsylvania. When the Democratic merchants of the city, horrified by President Jackson's attack on the National Bank, met at the sign of the Wagon and Horses in September, 1832, they chose James Gowen to carry their rebellious standard in the First Congressional District. If elected to Congress, they declared, he "will prove an efficient supporter of the American System, Internal Improvement, the Judiciary, and of a sound currency throughout the Union."³ He accepted the nomination with the ringing phrases of a Jeffersonian Democrat:

. . . at the present important crisis, when everything valuable in the institutions of our country—when the sources that have sustained our industry and extended our commerce, are threatened with destruction, it becomes the duty of every citizen to lend his aid in arresting the evil, and in restoring the reins of government to the hands of wise, just, and competent rulers.⁴

Except for this one unsuccessful venture in independence, James Gowen remained an unconvertible Democrat. Such prominent leaders of the party as Governor George Wolf and President James Buchanan were numbered among his friends. His partisan loyalty, in fact, was so strong that in later years it was to bring him dangerously close to

¹ James Gowen to the *American Sentinel*, Jan. 29, 1828, in James Gowen, *the People's Candidate for the First Congressional District*, p. 16.

² *Ibid.*, p. 9.

³ *Ibid.*, p. 3.

⁴ *Ibid.* n 4

what his neighbors considered treason. The Civil War always looked to him suspiciously like an anti-Democratic plot, and, when the nation hung out crepe to mourn Lincoln, James Gowen's door remained flagrantly undecorated. The pulpit patriotism of Civil War days set him fulminating:

. . . as to religion, if measured by the puritanical standard, methodistical attitude, Baptistical depth, stiff-necked Presbyterianism or the Potter Episcopal Divinity, I should be classed as immoral, inhumane, disloyal, unpatriotic and a very Hotentot, while in return I should be very apt to pitch the whole batch to the bottomless pit. . . . I . . . never go now to church at all—God help me!⁶

After his retirement from business he devoted to his new occupation of agriculture all the energies he had shown in his other activities. In 1848 he established at his Mount Airy home the first agricultural school in the state, the ancestor of the Pennsylvania State College. He was the first to import a herd of blooded cattle. His Durham stock was for many years celebrated all over the country, and his spring sales were attended by cattle breeders and agriculturists from many states. He was one of the founders of the Pennsylvania Agricultural Society, and became its second president.

Somewhere in the midst of this vigorous career James Gowen met a young Pennsylvania Dutch girl from Mount Airy. Mary Miller came from an old Germantown family, whose ancestors, according to tradition, had come over with Pastorius in 1683. Her grandfather, Sebastian Miller, had shown modern leanings by taking his family out of the German Reformed Church and into the Presbyterian, because he wanted his children to attend services in English. Her father, Joseph Miller, a substantial farmer, had died in 1825, leaving Mary to help her mother take care of the other children.

Although James Gowen was thirty-seven, sixteen years her senior, Mary Miller gave her heart to this dynamic Irishman. On June 7, 1827, they were married, and Mary moved into the city to a home on Third Street, opposite St. Peter's Church. Children followed at the usual two-year intervals. The first two were boys, named Alfred and James Emmet. (The third, James called George Wolf after his friend, the governor, but the baby did not live.) The fourth arrival was a girl, Ellen.

⁶ James Gowen to James Buchanan, May 5, 1865, Buchanan MSS., Historical Society of Pennsylvania.

Then James, the man of wealth in the family, bought out the interests of the other Miller heirs, and the Gowens took up their residence in Mount Airy in the old homestead, which had been built by Mary's father in 1792. It was a charming and simple house, two and a half stories high, in the Pennsylvania Dutch style of stone covered with stucco. The doorway was decorated with four graceful Corinthian columns, flanked on either side by two shuttered windows, with another row of five windows above to give balance to the exterior. It still stands today at 7331 Germantown Avenue, part of the Mount Airy Theological Seminary.

Here on February 9, 1836, was born the Gowens' fifth child, a son. James must have been thinking of the old Sage of Philadelphia when he chose a name for the boy, but he reversed the order of the names, and called him Franklin Benjamin. In a few years Frank was playing with two younger brothers, Henry and George Washington. The three sisters who followed, Mary, Rebecca, and Emily, were too young for Frank to know very well in the few years he remained at home.

Old James ruled this house with what he thought was an iron hand. He refused to allow the children pocket money, and gentle, patient Mary had to wheedle out of him cash for the things the boys craved. He had his own portrait painted twice, and even had a picture made of his prize cow, Daisy Maid, but never would he listen to the children's pleas for a portrait of their mother. His cattle, indeed, sometimes seemed to be of greater concern to him than his family. One day he recorded in his diary a lengthy discussion of a disease which was afflicting his cows, then added as an afterthought: "Daughter Ellen married today." This diary he used to leave lying around unlocked, as if daring the family to read what he thought of them.

As might have been expected of the children of this hot-tempered, domineering old Irishman, the boys were little awed by the display of paternal authority. George and Henry used to delight in plaguing their father with the adventures of an imaginary character they had created and named Tittycums. No sooner was the family seated at the dinner table than Henry would turn to his brother and say, "I saw Mr. Tittycums today. He was asking about you." Trying to avert the impending storm, Mother Mary would raise a gently chiding finger, and warn, "Now, boys." Heedless, George would plunge ahead with "Not Mr. Tittycums? How is he?" This exchange would go on until father, unable to endure it longer, would roar, "That's enough. Now off to bed, both of you." At Christmas time, however, all father's strict rules were off, and the children could romp at will throughout the home.

When Frank was five, tolerant James sent the two oldest boys off to school at the Catholic institution which is now Mount St. Mary's, at Emmitsburg, Maryland. Three years later Frank probably joined them there, although his name does not appear on the school records. In any case, his stay at Emmitsburg lasted no more than a year, for in August, 1845, James and Alfred left the school to study law, and Father James decided to try another institution closer home. That fall Frank at the age of nine went to Beck's Academy at Lititz.

John Beck's Boys' Academy was well known in the eastern United States. To it came the scions of Virginia planters and Lancaster County ironmasters. Most of the first families of eastern Pennsylvania were represented among its pupils. The boys lived with the Moravian brothers and sisters of the village, studying the usual "3 R's," as well as such more advanced subjects as astronomy, chemistry, algebra, trigonometry, and German. They were under the kindly but strict discipline of the principal, who had for his motto, "Work early and late, and plenty of bodily exercise." The school term was long, with only four weeks' vacation a year. Classes were held from seven until eleven in the morning and again from one to four; during the winter there were also evening lectures on "the various branches of Natural philosophy" and "the Manners and Customs and forms of Government of Nations."

Frank must have learned rapidly under this intensive system. It was probably at Beck's Academy that he developed his fine handwriting, his knowledge of German, his familiarity with history, and his persuasive skill with figures. He would probably have been willing to continue his education, but, when he was thirteen, his father decided that he was old enough to start work.

Already having two sons who were lawyers, James Gowen seems to have concluded that it was about time one became a businessman. He therefore arranged with Thomas Baumgardner, a Lancaster merchant, to take Frank as a sort of apprentice and teach him the business. Baumgardner, a shrewd young man of thirty-three, took the boy into his home and treated him as a son. With paternal indulgence he let Frank have the buggy of a Sunday to drive out to Lititz to visit Henry and George, who were still in school there—one of George's young friends was to remember all his life the sight of that handsome lad pulling up at the academy with superb self-confidence. Baumgardner was impressed by the boy's active mind and interest in study, and wrote to James, urging that he should have more schooling. Although James turned a deaf ear to this extravagant idea, the Lancaster mer-

chant encouraged Frank's desire to read and gave him free use of his library.

Frank was not destined, however, to spend many years measuring muslin, weighing up sugar, and delivering mirrors. Thomas had long been dealing in coal as a side line, and in 1852 he and his brother decided to sell out the dry goods business and devote their full attention to the coal trade. Their young clerk must have taken an interest in the business, for he never after that got very far away from the anthracite industry. Probably he kept the books or drove the wagon; perhaps Thomas even let him have charge of the office on occasion. The merchant had such faith in the boy that, when Frank was only nineteen, he sent him off to Shamokin to manage an iron furnace he owned there.

Little can be told of these first years of independence. Life must have been full of the gaiety of youth, for a quarter of a century later Frank was to remember "one of my Shamokin escapades which really seems to me to have occurred yesterday though it is twenty-four years ago."⁶ We can imagine this handsome, square-chinned young man, with his fair face and his winning ways, making friends right and left, and joining in whatever social life Shamokin offered. It must have been at one of the parties that he loved so much that he first met a beautiful girl from Sunbury, named Esther Brisben. That first glance probably told him that here was the girl he wanted for his wife, and by the time he was twenty-two he had married her.

Franklin B. Gowen was now ready to go into business for himself. With the optimism he was never to lose until the end, he took whatever savings he had—they could not have been large, and they certainly were not enough—and went into partnership with a coal operator from Pottsville, named James G. Turner. They signed a ten-year lease, beginning January 1, 1858, for East and West Mount Laffee Collieries, a few miles north of Pottsville. Frank took a house in this thriving anthracite community, on fashionable Mahantango Street at the corner of Sixth. Young George came up from Mount Airy to live with him and act as bookkeeper. George must have been a help in introducing his brother to Pottsville, for the town had become a second home to him through visits with his schoolboy friends.

The first year in Pottsville was a gay one for the two brothers. Frank was one of the managers of the Washington Birthday ball, and the affair was a great success. He found pleasure in fishing trips, which in later and busier years he was to recall with nostalgic longing. He

⁶ Gowen to George Kaercher, Aug. 5, 1879, Kaercher MSS.

made his one try at athletics in the first game of cricket ever played in Pottsville, but was soon relegated to the second team and abandoned the sport. Along with George, he entered the "minor tournament" of the Chess Club and was eliminated in the first round.

In the Pottsville Literary Society, however, Frank's talents showed to better advantage. He was one of "the most promising young men of the place" who organized the society in the fall of 1857. At the first meeting he recited Poe's "The Raven" "effectively and with a just appreciation of the author's sentiments." He lectured on "The Triumphs of Genius" for the second meeting, and at the third successfully defended the negative side of a debate on the subject: "Was the execution of Charles I justifiable?" In 1858 he was elected secretary of the society, and the following year was chosen president. His inaugural address inspired the veteran editor of the local paper almost to song:

It contained many happy thoughts happily expressed, and was listened to with marked attention. Touching and truthful, at times his remarks revived associations, mournful as when the wind sweeps over the aeolian lyre, starting amid the dirge-like music, the involuntary tear; anon depicting with a masterly hand, local pictures; always interesting.⁷

In business Frank's splendid voice and winning personality did not prove so effective. The year 1858 was a poor time to begin coal mining. Turner and Gowen produced the sizable total of thirty-three thousand tons that year, but prices were too low for profits. Many operators lost money, the new partnership among them. Their capital had gone into ten thousand dollars worth of equipment and into pumping out one of their collieries, which had been flooded to put out a fire. There was no money left to resume mining at the start of the 1859 season, but rents and maintenance costs were still going on. On June 1 the partnership was dissolved by mutual consent. Frank advertised for new business associates to take over mining operations for the next eighteen months, while he devoted himself to selling the coal. Hinting at the inadequacy of his ex-partner, he asked that at least two persons take over each colliery. He showed his interest in good quality by reserving the right to inspect the coal to see that too much slate had not been left in, as many a careless operator was in the habit of doing. His kindly feelings towards his employees prompted him to stipulate expressly that the

⁷ *Pottsville Miners Journal*, Nov. 26, 1859.

men must be paid regularly in cash, and not in orders on the company store.

The new associates did not appear. Instead, impatient creditors sought judgments in the courts. On October 15 the sheriff sold out all the property of the late firm of Turner and Gowen. The experience was to make a lasting impression on the youthful coal operator. Although it would not cure his eternal optimism, it was to convince him that capital was needed to develop the anthracite industry.

The winter of 1859-60 would have been a trying one for a less sanguine person than Franklin B. Gowen. The bright and happy prospects of the dashing young businessman seemed to have been shattered to bits. The Schuylkill County courts had recorded against him judgments totaling twenty thousand dollars. There was a new baby in the home—named James, after its grandfather—and a daughter, Esther, was to be born the following September. With the nervousness of child-birth added to all her other worries, one would not have been surprised if the young wife had complained of their unexpected poverty. Frank, however, steadfast in his belief that, if prosperity was not around this corner, it was certainly around the next, optimistically turned to a new career.

James and Alfred were already lawyers, and Frank may have cherished an ambition to follow in their footsteps. According to family tradition, he had already picked up some knowledge of law. The nimble wit and magnificent voice, which had found such favor with the Literary Society, would be invaluable assets in the courtroom. So, somehow, the Gowens struggled through that winter, while Frank studied law in the office of Benjamin W. Cumming, Pottsville attorney. On May 31, 1860, he was admitted to the Schuylkill County bar, and hung out his shingle on Centre Street, below the Episcopal church.

Already wise to the values of publicity, he used the forum of the Schuylkill County Democratic convention for a political speech on June 4; it was fortunate that he had been reared in the Democratic faith, for Schuylkill was a bulwark of the party. Ben Bannan, editor of the rock-ribbed Republican *Miners Journal*, compromised his admiration for the young lawyer with his party principles to report of the speech that "It was very beautiful; very poetical, and all that, but there was 'nothing in it.'"⁸

Nonetheless, Pottsville audiences were as impressed with Gowen's oratory as Bannan himself was on non-political occasions, and he was called upon at virtually every meeting. On January 28, 1861, as the

⁸ Pottsville *Miners Journal*, June 9, 1860.

Southern states were one by one making their way out of the Union, alarmed citizens gathered to appeal for a compromise to bring back the straying sisters. While a committee was drafting the necessary resolutions, the audience listened to several speakers, among whom, naturally, was Franklin B. Gowen. As the dark clouds of war settled over the land, Gowen's opinions shifted with the country's and at the Fourth of July celebration he declared against compromise in "a chaste and eloquent address—sparkling with beautiful sentiment and classical references." The local paper honored the oration by printing it in full, his first published speech.⁹

Impetuous George was not to be restrained by his father's disapproval of the war, and went off to join Schuylkill's 48th Pennsylvania Regiment as a first lieutenant. Frank, tied down by his debts and his family, stuck to his law practice. In 1862 his party came to his aid by rewarding him with the nomination for district attorney, the plum passed around to deserving young lawyers. Even old Ben Bannan conceded there might be some satisfaction in voting for Gowen, and evidently other Republicans thought so too, for he received the highest vote in the county at the fall election.

Gowen might have had quite a career as district attorney. Schuylkill County was just entering its most lawless era, as the miners, awakened to consciousness of their strength by the scarcity of labor under war conditions, began to revolt against their ancient grievances of company stores, dangerous working conditions, and low pay. They looked with suspicion upon the war and the newly-introduced conscription, which they regarded as a weapon by which the coal operators might remove the men who dared to complain. Some of the miners, especially the rough and turbulent Irish immigrants, who had come from a land where it was patriotic to attack the constituted authorities, began to turn to violence to avenge their wrongs.

On June 14, 1862, Frank Langdon, a mine foreman, was set upon by a crowd of men and beaten to death, just over the line from Carbon County. On December 18 an armed mob beat up several of the employees at William Goynes's colliery and closed the company store. Another mob stopped a trainload of draftees at Tremont, and told them to leave the train if they did not want to join the army. On January 2, 1863, James Bergen, of Coal Castle, was murdered in his home by five strangers.

Other murders and assaults continued through Gowen's term as district attorney. In all these crimes Gowen seemed to show a lack of

⁹ Pottsville *Miners Journal*, July 6, 20, 1861.

interest; no one was convicted for any of them, or even so much as arrested. A partial explanation lay in the fact that the Irish were solidly Democratic, and the party could not afford to offend them. It was true, however, that law enforcement agencies were probably incapable of catching the criminals if they had wanted to; for all the murders committed in Schuylkill County during the hectic years from 1862 to 1868, not one person was hanged until 1877.

In any case, the young district attorney was doing too well with his private practice to have time to bother with prosecuting criminals; in October, 1864, he resigned his post. A third child, Franklin Benjamin, Jr., had been born in 1863, and, when his draft number came up that year, he had decided that his family obligations required him to send a substitute into military service. He could well afford to pay someone to go in his place, for by 1864 he was earning over eight thousand dollars a year, the second best paid lawyer in the county.

There were black moments in the first months of 1865. Illness carried away both his sons. These deaths must have been a severe blow to the father, since he loved children, and there were to be no more. Then, just seven days before Appomattox, his brother, George, now colonel of the 48th Pennsylvania, fell at the head of his regiment, leading the attack on a Confederate fort. This bearded youth had so endeared himself in the hearts of Pottsville men that they were to give the Gowen name to their G. A. R. post and to their militia company; to Frank, the death of his closest brother must have been a supreme tragedy.

These blows may have been softened by the material success that was still coming his way. The Philadelphia and Reading Railroad Company selected him as its Pottsville counsel, and his income passed thirteen thousand dollars. At long last the judgments against him were satisfied, and he was able to buy himself a fine house on Mahantango Street.

So pleased was the Reading Railroad with its new counsel that it chose him to argue a highly important case before the State Supreme Court at Wilkes-Barre in June, 1866. In one of the typical railroad wars of the period, the Atlantic and Great Western, a railroad operating from Salamanca, New York, to Dayton, Ohio, through western Pennsylvania, had lost its contract with the Erie, which had connected it with New York City. It thereupon laid plans to establish an independent road to New York by building a line from its tracks at Franklin, Pennsylvania, to Lewisburg. There it would connect with the Catawissa Railroad, which it leased, along with the Morris and Essex,

running across New Jersey into New York. The Reading entered into the combination by making a traffic contract to furnish the necessary connection between the Catawissa and the Morris and Essex.

At this point the Pennsylvania Railroad, looking with disfavor on any upstart rival encroaching upon its territory, intruded a potent foot into the proceedings. Noticing that the Catawissa for a few vital miles had to travel over the tracks of the Sunbury and Erie, the Pennsylvania, which had leased this railroad, brought suit to void its contract with the Catawissa.

Since victory for the Pennsylvania would end the Reading's dreams of being part of a new through route to the West, Gowen employed all his talents to put on a brilliant argument before the Supreme Court. He bolstered his points with legal citations, classical quotations, humorous stories, maps, and even a toy train. Like the Pottsville audiences, the justices were swayed by his eloquence, and handed down a decision in his favor. Gowen's speech was printed in pamphlet form for the edification of the public, but nothing more ever came of it. Despite its victory in court, the Atlantic and Great Western came to terms with the Erie and abandoned its grandiose scheme.

The young lawyer had not been equally successful in converting his fellow members of the bar to modernization. In March the Schuylkill County bar appointed a committee to consider the advisability of engaging "a phonographic or tachygraphic reporter" for the court. The committee reported that it would be too expensive; Gowen was a minority of one in advocating that stenography would save the county money by speeding up trials. In his speech at a political gathering in September he did not fare much better. Ben Bannan's *Miners Journal* thought his remarks "tedious," "childish and puerile," and commented: "From Mr. Gowen's reputation as a speaker we expected something better from him."¹⁰ Even allowing for the partisan nature of the criticism, Gowen's interests had evidently strayed too far from the field of politics for him to be effective in such a speech. At any rate, he had made his last political oration.

In spite of these minor reverses his prosperity increased. His income for 1866 rose again to eighteen thousand dollars, a substantial sum for a Pottsville lawyer. A Pottsville lawyer he was no longer to be, however, for the Reading Railroad had been so impressed with his ability that it summoned him to Philadelphia to head its legal department. The Mahantango Street mansion was sold to his friend, George deBenneville Keim, in March, 1867. He wound up his Schuylkill County affairs, and moved to Philadelphia to take up his new career.

¹⁰ Pottsville *Miners Journal*, Sept. 8, 1866.

CHAPTER II

THE COILS OF THE OCTOPUS

The Philadelphia to which Franklin B. Gowen returned as a young man of thirty-one was a far different city from the one he had left more than twenty years before. There were still merchants on Dock Street, but manufacturers and bankers now symbolized Philadelphia. It had become one of the capitals of the new industrial empire which had risen out of the Civil War.

The city was growing out into the country. Mount Airy was no longer the residence of gentleman farmers, but a fashionable suburban section. A mansion with an art gallery had been erected by one of the Gowen neighbors. Not to be outdone, James had built an architectural monstrosity a hundred yards away from the old Miller homestead in what was supposed to be the Italian style. Plastered a ghastly yellow, Magnolia Villa rose three lofty stories into the sky, wearing its incredibly tall white porch as a skirt around it, with little balconies at the third floor windows to pad out its bosom. Seven varieties of magnolias planted roundabout gave the home its name. Stubborn as the Gowen character, it still stands, haughtily ignoring the arrival of another century.

There crotchety old James was roaring at the servants every afternoon and frightening the grandchildren so that they would go blocks out of their way to avoid him. Local legends were clustering about him; years after he was dead, the neighbors would still delight in recalling the time his barn caught fire and he chased the fire company away with a rifle, swearing that he would rather let the barn burn than have the firemen on his property.

When Frank came back to Philadelphia in 1867, the stone house in which he had been born stood ready as a home for him and his family. Frank settled down as his father's neighbor, and devoted himself to the responsibilities of his new position.

The interests of the Reading's young general counsel ranged farther than the technicalities of corporation law. Remembering his years as a businessman, he was studying the details of railroad management. As he rode into his office every morning on the steam cars, his mind must have turned over ideas for increasing the Reading's prosperity.

He knew well how its main line had expanded in the years he had spent in Pottsville, until it now resembled a giant octopus, sprawling over southeastern Pennsylvania. From its heart at Reading it stretched one long arm south to Philadelphia, another east to Allentown, two west to Harrisburg and Columbia, and one north to Pottsville. From the Pottsville arm a multi-fingered hand reached out to all the coal mines in that section, with one long finger running north and west to Herndon on the Susquehanna. Another branch left the Schuylkill River below Pottsville to go west to Dauphin and Rockville, just north of Harrisburg.

The Reading's great weakness, as well as its great strength, Gowen realized, was its reliance on anthracite traffic. Although it had gradually increased its proportion of other freight, it still received more than two-thirds of its income from anthracite. The Reading's only connection with the profitable trade from the West was over the Pennsylvania, relations with which were always on a precarious basis. That road at the moment was sending some of its freight to New York over the Reading from Harrisburg to Allentown and thence over the Jersey Central, but it was soon to acquire its own route to New York.

Until the Reading could secure a more friendly western connection, Gowen knew that it would have to continue to rely largely on its anthracite traffic. For that reason he felt that his company should take some interest in the management of the coal trade. His own experience had shown him how unstable that trade could be. Although anthracite was the major source of fuel and power in the eastern United States, not only for homes but also for factories and iron furnaces, production at times increased even more rapidly than demand and sent prices falling alarmingly.

All the important deposits of anthracite in this hemisphere are contained in 484 square miles in eastern Pennsylvania. Geologists have divided these deposits into four fields. Northernmost is a canoe-shaped strip, lying along the valleys of the Lackawanna and Susquehanna rivers, from Carbondale at the upper tip south through Scranton and Pittston to Wilkes-Barre. The scattered deposits around Hazleton are called the eastern middle, while the western middle, a little farther south, runs from Shenandoah to Shamokin, starting in northern Schuylkill County, cutting across a corner of Columbia, and stretching into Northumberland. Broad Mountain, just south of this, makes a natural dividing line with the southernmost field, which is a sort of fish in appearance, with its mouth on the Lehigh River at Mauch Chunk and its tail flying west into Dauphin County.

The development of transportation, however, had somewhat ignored geological lines. The opening of the Schuylkill Canal, followed by the Reading along the same route, had united most of the two southern fields into the Schuylkill region, shipping to Philadelphia. The Lehigh Canal and the Lehigh Valley Railroad joined the fish-head at Mauch Chunk with the Hazleton area as the Lehigh field, shipping to either Philadelphia or New York. Although these two lines also provided transportation for the area around Wilkes-Barre, that district was still considered part of the Wyoming basin. The upper half of the Wyoming region also had its canal and railroad, the Delaware and Hudson Canal and the Delaware, Lackawanna, and Western Railroad, both of which shipped to New York.

Several important differences had developed between the Schuylkill field and the Lehigh and Wyoming regions, as Gowen knew. One was the relation between mining and transportation. In the upper two fields, the four transportation companies owned coal lands and operated their own mines. Three of the corporations, in fact, had built their transportation lines primarily to haul their own product to market; the fourth, the Lehigh Valley Railroad, had just begun buying up land in self-defense, since the other three companies were expanding their holdings so rapidly in the current post-war boom that it seemed as if there might soon be no independent operators left to ship over the Lehigh. A fifth important anthracite corporation was the Pennsylvania Coal Company, with mines around Pittston. By constructing a gravity railroad to Hawley, it was able to ship over the Erie Railroad to New York without depending on the other anthracite lines.

While the Wyoming and Lehigh fields were thus dominated by large corporations, which through their control of transportation had their smaller competitors at their mercy, the Schuylkill region remained the haven of individual enterprise, since both the Reading and the canal had been chartered purely as common carriers and no large mining companies had developed there. To Gowen this seemed an ideal situation for the Reading, since free competition among the operators would increase business for the railroad.

Another source of satisfaction was the canal-railroad relation in the Schuylkill field as compared to the other two regions. The canals themselves, after putting up a stiff fight against the invading railroads, were gradually yielding to the facts of economics and admitting that they could not compete on even terms with rail transportation. The management of two of the canal companies, however, the Delaware and Hudson and the Lehigh Coal and Navigation Company, were erecting

railroads to replace their waterways so that both the Wyoming and Lehigh regions each had competitive transportation. In the Schuylkill region, on the other hand, the Navigation Company in 1863 had ended twenty years of warfare with the Reading by an agreement to divide the coal traffic. This pact was proving to be slow poison in the veins of the Schuylkill Navigation Company, which was steadily losing its will to resist. The Reading thus did not have to waste its energies in competition for business, while at the same time it benefited from the economic rivalry of its own shippers.

The Schuylkill operators themselves were not quite so happy over their situation. They had a substantial "line" trade along the line of the Reading, including such cities as Reading, Pottstown, Harrisburg, and Lancaster, and their "city" trade in Philadelphia was also a monopoly save for the relatively small shipments of Lehigh coal which arrived there. While the "line" and the "city" provided a protected market for about half the Schuylkill product, the rest had to go to the Reading's wharves at Port Richmond in Philadelphia, whence it was shipped by sea or canal to New York and New England.

There Schuylkill coal had to meet harsh competition with the other regions. In the contest it suffered from two disadvantages. One, its notoriously bad quality, was due partly to the geological formations in the Schuylkill region but chiefly to the operators' carelessness in cleaning their product. The other was its roundabout route to New York, which was overcome in part by "drawbacks," or rebates on freight bills, given by the Reading on coal consigned to New York or New England.

Perhaps the chief handicap of the Schuylkill operators was the fact that they were too small and inefficient to compete successfully with their corporate rivals, although that idea had not yet entered Gowen's head. He did know, however, that they had had many disastrous seasons. A few years later, he was to remark:

I practiced law for seven years in the county of Schuylkill, and in all that time, and up to it, there were but three men who had ever retired from the business of mining coal with any money, and one of those died in an insane asylum and another had softening of the brain. The shock was too great to their systems.¹

While this was a slight exaggeration of the facts, it did represent the general impression the Schuylkill operators had of their lot. During

¹ Gowen, *Argument . . . before the Joint Committee of the Legislature of Pennsylvania . . . at Atlantic City, New Jersey, July 29th and 30th, 1875* (Philadelphia, 1875), p. 23.

the last two years of the late war the rising demand of military production had sent coal soaring temporarily to levels which brought fantastic profits. With the return of peace, however, prices crashed to ruinous depths, dragging wages down with them. Fitful strikes flared here and there in protest. Miners were laid off, and war veterans came home to swell the ranks of the unemployed. Those who were still at work resentfully tried to make both ends meet on their inadequate pay. Ranking grievances moved some men to lie in wait for tyrannical bosses with clubs or pistols. Frightened by the wave of crime, citizens of property held mass meetings to demand police protection.

In the midst of these critical times there appeared a man with an idea for restoring prosperity to the anthracite region. He was a thirty-seven-year-old Irishman, named John Siney, who was living in St. Clair, near Pottsville. He had come to the United States in 1862, after some experience with labor unions in England, and had gone to work in the mines. A strike in 1867 at the colliery where he was employed convinced him that the men needed an organization with a treasury if their strikes were to be successful. The following spring, therefore, he formed a number of the St. Clair miners into a Workingmen's Benevolent Association, ostensibly to provide sick and death benefits for its members.

An opportunity for this new organization to expand was soon provided. A new state law decreed that after July 1, 1868, eight hours should constitute a day's work. The miners thought this meant that their working day would be reduced from ten hours to eight without a cut in pay. When their employers refused to grant them an eight-hour day without a corresponding reduction in wages, the men began to grumble. The next Monday morning, the miners at several of the collieries around Ashland, north of the mountain, decided not to go to work until their interpretation of the law was accepted. Parading from mine to mine, they brought out their fellow-workers until all Schuylkill had joined the strike. Delegates were sent to the Lehigh and Wyoming regions to talk to the miners there. The operators looked on in satisfaction, relieved to see a general stoppage of production.

A month of suspension raised the price of coal to more profitable levels, permitting the operators to grant a 10 per cent increase in wages and ending the Eight-Hour Strike. This demonstration of the value of united action made the miners enthusiastic over John Siney's new union. Even though organization had never before been tried in the anthracite field, virtually all the Schuylkill men joined the Workingmen's Benevolent Association before the strike was settled, and mis-

sionary work during the winter brought the Lehigh and most of the Wyoming men into the fold. By spring the W. B. A. was as powerful an organization as this country had ever seen, controlling more than 90 per cent of the nation's production of anthracite. Then its general council took action, ordering all mining to stop on May 10, 1869.

This was not primarily a strike for higher wages, but a suspension of production to keep the supply down to the demands of the market. The step had the unofficial approval of the operators, who had privately encouraged the growth of the union. Unable themselves to cooperate in controlling production, they hoped that the miners would be able to accomplish what they had failed to do. In return for this aid, they accepted the union's demand of a bonus as a reward for raising the price of coal.

In the Schuylkill and Lehigh regions the new wage agreements incorporated the "sliding scale," a pay system which remained in effect long after the union had been forgotten. In the Schuylkill field wages were based on the price of coal at the shipping point, which was Port Carbon. When coal sold at three dollars a ton there, the men received their base pay. For labor outside the mines, this was eleven dollars a week; inside the mines, twelve dollars. Miners, who were the skilled laborers, received fourteen dollars a week when they worked by the day, which was seldom. Usually a miner worked on contract, which was so much for a wagon loaded with coal or for a cubic yard dug, the rates varying widely according to the difficulty of the work. From this pay was deducted the wages of his laborer and charges for powder and oil used. Under the influence of all these factors, miners' earnings ranged from fifty to nearly two hundred dollars a month at this time, although the average was probably around one hundred.

The sliding scale provided that these wages should be increased by 5 per cent for each twenty-five cents coal advanced above three dollars at Port Carbon. In the Lehigh field the principle was the same, but the basis was the price of coal at seaboard, which meant the New York market. They received their base pay whenever coal sold at five dollars or less at Elizabethport. For every dollar it advanced, they were given a 10 per cent increase. The freight rates were thus a determining factor in the wages of the Lehigh men.

The three upper Wyoming corporations, known as "the Scranton companies," however, stubbornly refused to indorse the policy of suspensions by accepting the sliding scale, partly because as transporting companies they were able to control production without any aid from the union. Their employees had not joined the strike at first, but pres-

sure from the other regions finally brought out the Hudson and the Lackawanna men. The Pennsylvania Coal Company kept its miners at work by promising to pay whatever wages the other two corporations finally granted. Two months after the other regions had gone back to work, the D. & H. and the D. L. & W. induced their employees to abandon their organization and return at a substantial increase, but without a sliding scale.

As long as the Scranton men were idle, the new wage agreements had worked very well. Anthracite soared to dizzy heights, and the Schuylkill men received bonuses of as much as 35 per cent. With all the regions at work, however, prices began to fall once more. In December, when coal dropped below three dollars, the Schuylkill operators demanded a change in the wage agreement.

Gowen had been following these developments with interest, and he had now even more reason to be concerned. His brilliant talents had been making an impression on the Reading's president, Charles E. Smith, and Smith's failing health was causing him to lean heavily on the shoulders of his general counsel. On March 24, 1869, Gowen wrote to a Pottsville friend, declining an invitation to accompany him to Europe:

. . . from present appearances I apprehend that a large amount of work will be thrown upon me this year, which may require my presence here almost continuously. Therefore I say to you—Go yourself by all means—and as soon as you can—let me know your whereabouts & if I can spare time during midsummer I may join you for a few weeks—But my going is so uncertain that you should not wait for me one day.²

A month later, on April 28, President Smith told his Board of Managers that his health required him to take a long vacation. He recommended that they should elect his able assistant, Franklin B. Gowen, still only thirty-three, to act as president during his absence. It was a remarkable tribute to Gowen that the Board of Managers promptly chose him for this responsible position, since half a century was to pass before corporation lawyers would be generally accepted as capable business executives.

For the first year Gowen restricted himself to carrying out the company's established policies, although he watched with an uneasy eye the rise of the Workingmen's Benevolent Association in the coal regions.

² Gowen to Dr. A. H. Halberstadt, Halberstadt MSS., Historical Society of Schuylkill County.

While he shared the views of his times in believing that management alone should have the power to determine wages and working conditions, and that dissatisfied laborers could find sufficient redress by seeking other employment, he was not primarily disturbed by the operators' willingness to deal with the union. He objected more to the fact that suspensions disrupted the railroad business by making the Reading's coal cars sit useless on the sidings one month and work overtime the next. Even though the Schuylkill region had been idle only five weeks in 1869, he foresaw that interruptions would be frequent as long as the union insisted on its power to control production. His most serious objection, however, was that the association was trying to keep coal up to three dollars a ton at the mines. As he saw it, that price was fifty cents higher than necessary to give the operators a profit. If coal could be brought down to \$2.50, more could be sold, and the Reading would have more to carry. In his mind he was unwittingly formulating the policy that was to carry America to the highest standard of living the world had ever known: lower prices, expanding markets, increased production, and more goods for every one.

When Smith was still unable to return to his position at the annual election in January, 1870, and Gowen became president in his own right, he felt justified in intervening in the wage dispute which was developing. When the price of coal dropped below three dollars in December, 1869, the Schuylkill operators had decided that it was a poor rule which did not work both ways. They had proposed to the W. B. A. that the sliding scale should slide down as well as up—that is, that the men should accept a 5 per cent cut for each twenty-five cents anthracite fell below three dollars, with a maximum reduction of 20 per cent, or a two dollar minimum basis. When the union refused to accept this, the operators raised the minimum basis to \$2.50 and announced that they would pay on these terms after April 1, 1870. The Schuylkill miners therefore struck, although the men in the other regions remained at work. After a month of idleness the rumor spread that the Philadelphia Coal Company was planning to break the united front by going back to work at the old rates, as it could do very easily, since its collieries had lower production costs than most of its competitors. Since this step might have induced the other operators to surrender and thus have kept wages on the three dollars a ton basis, Gowen called on the business manager of the company, who denied the report. Nevertheless, shortly afterwards Colonel Henry L. Cake, the company president, ordered mining resumed at the 1869 rates.

His fellow operators promptly denounced him as a traitor and expelled him from their organization. Gowen, who was also angry at this betrayal, took more effective action. Having just signed a lease of the Schuylkill Canal, he now had complete control of transportation out of the region, and was able to experiment with an idea for settling these annual strikes. He increased freight rates on both canal and railroad by 25 per cent, announcing frankly that the advance would be given up on a general resumption of mining. This increase of fifty cents a ton was not high enough to be prohibitive, but it did serve to make the obstreperous colonel disgorge some of his ill-gotten profits and to hint gently to other operators that independence would not pay.

Four months of expensive idleness, however, was making them restless. One of the operators, a Welshman named Benjamin B. Thomas, came up from his Philadelphia home to confer with John Siney, the head of the Schuylkill W. B. A., with a view to reaching some kind of a settlement. As a result of this conference Thomas went back to Philadelphia to ask Gowen to act as mediator in the dispute. Realizing that capitulation was imminent, Gowen agreed to offer his services. Both sides promptly accepted this opportunity to end the wearisome dispute. After receiving instructions from the operators' organization, the Anthracite Board of Trade, Gowen conferred with the executive committee of the W. B. A. on July 22.

Cocking an eye at the current high price of coal, the union presented a proposal intended to increase wages. The men asked that the rate of advance for each twenty-five-cent rise in the price of coal be changed from 5 per cent to $8\frac{1}{4}$ per cent. In return they agreed to accept a reduction at the same rate if coal fell below three dollars, down to a minimum of two dollars. Although this exposed the men to a possible 33 per cent cut instead of the maximum 10 per cent the operators had asked, the union leaders hoped that prices would remain high enough to enable them to gain by this proposal.

Gowen warned that coal would not average more than \$2.50 for the year, but promised to reduce freight rates and thus indirectly raise the price of coal at the mines. When he agreed to submit their plan to the operators, the W. B. A. was enthusiastic. The next day John Siney assured a meeting of the workingmen that the president of the Reading Railroad was now with them, and all they had to do was to hold out to accomplish their object.

The so-called "Gowen Compromise" did not receive the same approval from the operators, who seemed to believe with their employees that it meant higher wages. Declaring that Gowen had departed from

his instructions, they rejected the proposal by the resounding vote of 38 to 4. When Thomas announced that he was going to resume work anyway, the Board of Trade changed its mind and on July 29 incorporated Gowen's offer into the first written contract ever drawn up between miners and operators in America.

On the first payday Gowen's popularity with the miners vanished. Instead of the increase they had been expecting, they found their pay envelopes docked $8\frac{1}{4}$ per cent; in four months the cut had grown to $24\frac{3}{4}$ per cent. John Siney asked the Board of Trade to reopen the wage question, but his request was summarily dismissed by the outraged operators. With a not altogether logical resentment the men who had so enthusiastically accepted Gowen's proposal now denounced him for their plight. One of them declared:

We were positively assured that if coal fell in the market, when the compromise was made, that tolls [freight rates] were to correspond with the prices of coal and wages; but coal and wages are falling, while the prices of tolls are going up as rapidly as coal falls, all of which comes off of the miners and laborers who produce the coal. This is not what we bargained for. . . .³

Another miner put his feelings into an ironically humorous song, of which one verse ran:

And thinking that the scale would turn, the men did work along,
Expecting for the coming month to have eight and a quarter on,
But when the twenty-fifth did come, it was the same old tale
To have eight and a quarter off, me boys, upon the sliding scale.*

He sent a copy of the poem to Gowen in his neatest handwriting, and received in return a crisp new ten dollar bill, but no comment.

Despite this discontent the executive committee of the W. B. A. on November 7 accepted a contract for the following year which was substantially the same as that for 1870, subject to the approval of the union members. A few days later delegates of the W. B. A. and the Board of Trade acknowledged Gowen's new position as the arbiter of their destinies by calling on him to show him their agreement and to ask for a reduction in freight rates. Gowen said it was satisfactory and promised to lower his tolls if the union would abandon its policy of suspensions. To this Siney objected that something had to be done to

³ "A miner," in *Pottsville Miners Journal*, Oct. 4, 1870.

⁴ George Korson, *Minstrels of the Mine Patch* (University of Pennsylvania Press, 1938), p. 222.

maintain the price of coal and wages. When Gowen refused to agree, the point was left undecided.

The proposed contract for 1871 was not popular with the workingmen. The Schuylkill laborers, whose base pay was lower than that of laborers in the Lehigh region, had been clamoring for a raise; the miners were also dissatisfied with the results of the Gowen compromise. Nevertheless, they would probably have accepted Siney's prudent advice that they were not prepared for another strike, if it had not been for developments in the northern fields.

In November, 1870, the Scranton companies, which were still paying the high wages granted in 1869, decided to reduce them by 30 per cent. Their employees went on strike December 1 and appealed to the W. B. A. for reinstatement. They offered to pay up their back dues and obey suspension orders if the union would take them in again and join the walk-out. The general council accepted the offer of the Scranton men and put the suspension to a vote. The Lehigh miners, having worked steadily for a year and a half, supported the demand of the upper region and voted in favor of quitting work January 10. The Schuylkill men, who were still paying off the debts incurred during their late strike, were against the proposal, but they were overruled by the majority.

With coal selling for \$2.17, the Schuylkill operators encouraged the shutdown by agreeing to pay the \$2.50 basis for the time worked in January, provided that a general suspension took place. It was generally understood that the stoppage was to be on a friendly basis, like that in 1869, and that the men would go back to work as soon as prices had risen sufficiently. Only in the Scranton field, where the W. B. A. was resolved to force the acceptance of the sliding scale, was any disagreement expected.

Gowen, who had made clear his views on suspensions at the meeting with the two committees in November, refused to accept the strike so submissively. When he received a letter from Siney, notifying him of the suspension, he replied, pointing out:

When the Schuylkill men had the long strike of last year the workingmen of all the other regions profited by it and kept at work at large wages, which their employers were enabled to pay in consequence of the suspension in Schuylkill, but now, when the other region suspends, instead of the men of Schuylkill obtaining any benefit from the large winter business that might be done, they are forced to stop also, so as to help those who injured them.⁵

⁵ Gowen to Siney, Dec. 30, 1870, in *Report of the Committee on the Judiciary . . . in Relation to the Anthracite Coal Difficulties* (Harrisburg, 1871), p. 17.

This line of reasoning must have troubled Siney, since he knew that it was true, and he had opposed the suspension for that very reason. Of course, he also knew that, if Schuylkill refused to obey the orders of the general council, the union would soon disintegrate, but that argument would have been difficult to explain to an industrialist like Gowen. What most concerned the Reading president, however, was the fear that the strike would injure the coal trade. As a result, he predicted, coal would start out at a good price for a month and then fall, bringing wages down with it. The initial high prices would cause manufacturers to contract for bituminous instead of anthracite, and induce iron furnaces to blow out instead of continuing to work. Repeating his theory of increasing consumption by lower prices, he declared: ". . . steady work, at moderate rates, would, in less time, produce such an increased demand for coal as would furnish to all the regions plenty of employment at much better wages than can ever be secured by a strike."⁶

Gowen demonstrated the seriousness of his concern by reviewing the situation in the anthracite regions for the Reading stockholders at their annual meeting on January 9, 1871. While pointing out the injury the policies of the W. B. A. were doing to the coal trade, he conceded:

There can be but little doubt, that an organization like that of the Workingmen's Benevolent Association, acting in each region independently of the other, dealing directly with the representatives of their employers, and in all cases of difference referring to the decision of some disinterested umpire, instead of resorting to a strike, would be productive of good results.⁷

Summing up the dispute, he told the stockholders the position he proposed to take:

These questions are of course to be settled entirely by the operators and the workingmen themselves; but, as the frequency of strikes and the uncertainty and irregularity of the supply of coal seriously affect the great manufacturing interests of the Schuylkill valley, as well as the traffic of the Company, the Managers have thought it advisable to announce, and they will enforce, such a policy in the adjustment of tolls as will probably prevent the recurrence of any long-continued strike in the future.⁸

⁶ *Ibid.*, p. 18.

⁷ Annual report for 1870, p. 18.

⁸ *Ibid.*, pp. 18-19.

A new issue was introduced when the Schuylkill W. B. A. demanded the 1869 basis, thus abrogating the agreement made in November. Gowen, thoroughly angry, decided to end, once and for all, the union's attempt to regulate prices and production. Since the workingmen were united to control all the anthracite regions, he decided to draw the operators into a similar combination. Any Schuylkill employers who were unwilling to cooperate he could hold in line by his control of transportation, while the two Lehigh and the three Scranton companies could do the same in the other fields.

Making use of his powers of persuasion, Gowen first called a meeting of the Schuylkill operators in Philadelphia on February 2, 1871, to lay before them his plans for forming a united front against the union. While the operators were not entirely in agreement with his intention of ending suspensions, they were no longer so tolerant of the W. B. A. as they had been at first. Practices recently introduced by the union had aroused their anger. The W. B. A. had forced the closed shop on most of the collieries, although the term had not yet been invented, and required the reinstatement of men dismissed without just cause. As one operator complained:

They demanded the discharge of men who did not belong to the union. If refused, the colliery stopped. They demanded that no union man should be discharged. If refused, the colliery stopped. They vote that their superintendents are obnoxious, demand their expulsion, and, if not discharged, a long suspension strike takes place. There are instances of personal violence to owners of collieries by members of the union in which the offending members were discharged and criminal process issued against them, when the injured owners were compelled to take again in their employ the men who assaulted them, with a formal written notice, signed by the president or secretary of the branch, that unless it is done there can be no more work at the colliery.⁹

Disgruntled at these interferences with the prerogatives of management, the operators lent a willing ear to Gowen's proposals to curtail the union's power. One of them may have asked what he intended to do about traitors like Colonel Cake, for he announced that, if any operator started work on the W. B. A.'s terms, he would raise his freight rates. With this assurance of Gowen's solid support, they agreed to send a representative along with him to New York to attend a conference of all the coal-carrying companies.

⁹ Philadelphia *Inquirer*, March 3, 1871.

When Gowen and the Schuylkill delegate met the other anthracite companies in New York, it was discovered that the individual operators in the other fields were not represented, and the meeting adjourned until February 14 to allow them to send delegates. On that day a committee was appointed to draw up uniform wage scales for all the regions, which the operators would then offer to their men. Gowen showed his new schedule of freight rates, which were to remain in effect until the miners accepted the offer which the committee would make, and the other transportation companies agreed to set similar rates.

The new schedule did not call for any piddling 25 per cent increase, such as Gowen had tried out in 1870. This time, to make the rates really prohibitive, he raised the charge for transporting a ton of coal to Philadelphia to four dollars a ton, just double what it had been before. A few weeks later, he added another two dollars to the rates, making the freight twice the value of the coal. The other coal carriers did likewise. Only the Northern Central, controlled by the Pennsylvania, remained superciliously aloof from the combination. While it normally hauled a relatively small amount of coal from its branch into Shamokin, by maintaining its old rates it enabled the Northumberland operators to reach an agreement with their men and resume mining.

The general council of the W. B. A. had resolved to go back to work on February 15 before they had learned of Gowen's plan. Now, when the union leaders approached the Schuylkill operators with a compromise offer, the head of the Board of Trade replied that he was not prepared to treat with them. The new freight rates prevented any wage negotiations, even if the operators had been ready to deal with the men. The miners were indignant at the intrusion of a third party into their dispute; the W. B. A.'s paper, the *Anthracite Monitor*, declared: "Franklin B. Gowen, President of the Reading Railroad, has made good his threat that he would make open war upon the organization."

Confident that he was acting in the best interests of the whole anthracite region, Gowen was hurt by this attack and wrote to Siney:

You know very well, for I have had very many very full and satisfactory conversations with you lately, that I have no disposition, even if I had the power, to attack or injure your organization in the least. All I demand is that you shall not insist upon wages so high as to make it impossible to produce coal at the prices which it will bring in the market, and that you shall not resort to strikes and suspensions in order to produce a scarcity of coal and force prices beyond what manufacturers and consumers can afford to pay. No one regrets more than I do the present unfortunate state of affairs, which is the legitimate consequence of the strike. . . .

Certain it is that the blame of the present condition of affairs must rest upon your organization. Even now if you would show some disposition to meet this question fairly—and would offer to abide by the terms fixed upon last November, and agreed to by yourself and other delegates, I would show that I am a friend of the workingmen, by using all my efforts to bring about a resumption.

I believe that this is the first time in my life that I have replied to a newspaper attack.¹⁰

On February 23 the wage committee made its report in Philadelphia at a gathering of representatives of the operators, the coal carrying companies, and the iron manufacturers, who were interested in the strike as consumers. It proposed that the Schuylkill men be offered the terms agreed upon the previous November. In the Lehigh region, the miners were to have their base pay reduced 10 per cent, to bring them down to the Schuylkill level. The three Scranton companies were to continue the offer which had precipitated the strike, and any region could go to work as soon as its term were accepted. The conference resolved unanimously: "That we are united in opposing any interference by the workmen or their association with the management or control of our works, and will insist upon the abandonment of their claims to such control."¹¹

The offer made by the committee was reasonable enough, and might have formed the basis for a quick settlement of the strike, had it not been for the raising of the freight rates. This action infuriated the union leaders, who angrily rejected any talk of compromise. At a meeting of the general council of the W. B. A. on March 1, they voted to hold out for the basis of 1869. When John Siney proposed that Schuylkill be allowed to work on a minimum \$2.50 basis, the council refused this concession, even though the Schuylkill men on February 15 had offered to work on such a basis.

Leaders on the other side were equally angry at the miners. The Pottsville *Miners' Journal* sputtered:

If a few leaders are determined to keep this Region in idleness by their tyranny and oppression of the miners and laborers engaged in mining coal, and which is now extending to all classes, against all reason and common sense, there is a legal way to reach it. The Grand Jury of the County will meet in about ten days, and can then declare this Region in a state of Disorder. Then legal ap-

¹⁰ Gowen to Siney, Feb. 20, 1871, in Pottsville *Miners' Journal*, Feb. 23, 1871.

¹¹ Pottsville *Miners' Journal*, Feb. 24, 1871.

plication can be made to place it under martial law, and the men ordered to go to work or leave, and give place to others that will. If any of these leaders should interfere in any way, arrest, try and punish them on the spot.¹²

The strike had moved along so quietly that little attention had been paid to it outside the coal regions until Gowen's dramatic boosting of the freight rates had brought it into public notice. The people were already troubled by the recent growth of corporations to such size that they threatened to dominate the country; now Gowen had given them an object lesson on the powers which corporations could wield if they chose. Even those who wished to see the union crushed were troubled by the implications of Gowen's weapon. He might, if he so desired, use it upon the operators themselves to force them to sell out to him. The railroads, in fact, by this same means might acquire control of every business in the country. The *Harrisburg State Journal* summed up these frightening implications on March 10:

No such assumption of power has ever been attempted by a corporation in this or in any other country. The precedent, if established, will be one of the most dangerous infringements on personal rights ever inflicted on the people of this State or nation. If a railroad company can advance and lower its charges for transportation at will, then there is not an industrial operation in the State that may not be destroyed in a month.

Petitions poured in upon Pennsylvania's General Assembly, asking that the franchises of the coal-carriers be curtailed. Lending an ear to the public protest, the State Senate on February 24, 1871, called on Governor John White Geary for an opinion from his Attorney General as to whether the railroads had the right to charge whatever rates they pleased. The soldier Governor in his reply stated that he too had been troubled over the condition of things in the anthracite regions, although he complained that all he knew about it was what he read in the papers. From them he had received a somewhat garbled account, for he was under the impression that the strike had been settled before the freight charges were raised. "These things," he concluded, "ought not so to be; and it is considered both the right and the duty of the Legislature to apply the proper remedy and arrest the evil."¹³

As a result, the Senate's Committee on the Judiciary, General, was authorized to determine whether the transportation companies had vio-

¹² Feb. 27, 1871.

¹³ *Legislative Journal*, 1871, p. 226.

lated their charters by making their freight rates prohibitive. Gowen endeavored to correct the Governor's faulty account by presenting a thirteen-point memorial to the legislature, giving his own side of the story. The real issues in dispute, he said, were: whether the union or the law of supply and demand should regulate the price of coal; whether the workingmen should be allowed to work without interference by the union; and whether the operators should be permitted to control their own business. He concluded with the statement that the Reading officers would be glad to appear before the committee.

When the investigation opened at Harrisburg on March 8, he succeeded in persuading the committee to go beyond the point of law which it was supposed to examine and to take up the entire background of the strike. As the first witness called, he seized the spotlight so completely that the public almost forgot that other corporations than the Reading were being investigated. Dismissing the legal question under examination in a single sentence, he declared that the Reading had under its charter the right to charge whatever rates it pleased. With a straight face he told the committee that his reason for increasing his charges had been merely to increase his revenue, thus neatly disposing of the possible allegation that his action had been in restraint of trade. Neither had there been any conspiracy; he had merely told his fellow railroad presidents what he was going to do, and they had decided to do the same.

He then became prosecuting attorney and indicted the W. B. A. for preventing men from working, for forcing the poor to pay high prices for coal, for violating its word, and for ruining the iron industry. He mentioned the recent murders of two strike-breakers, deftly giving the impression that the union was involved, but avoiding a direct accusation.

By the time Gowen had finished, the W. B. A. was so busy defending itself that it never had an opportunity to attack him. So skillfully was the investigation diverted that the *Harrisburg State Journal* snorted that the committee would probably find "that the ill-used railroads simply acted in self-defense against the outrageous demands of the audacious miners for wages upon which they and their families can live."¹⁴

A succession of witnesses—coal operators, iron manufacturers, railroad heads, and labor leaders—gave the investigators a full account of the coal industry, but left them hopelessly confused as to the rights and wrongs of the dispute. In a preliminary report the committee ignored all the testimony it had heard and wandered down through the

¹⁴ Mar. 24, 1871.

mazes of the history of capital and labor, reaching the current strike only in the last paragraph, when it recommended that the dispute should be settled by arbitration.

At the conclusion of the hearings a few days later the committee listened to arguments by counsel for the various interests. Gowen's eloquent speech held his audience spellbound. The investigators were so impressed that they added his address as an appendix to their official report. Like the clever lawyer he was, he made out an excellent case for himself. He declared that he spoke in behalf of the railroad and mining interests of the state, "which have been stricken down by the unlawful combination of an ignorant faction, and are now struggling to be heard, in a calm, judicial investigation, against the wild clamor of the demagogue and the fanatic."

Reviewing the history of the W. B. A., Gowen attacked its policy of suspensions to maintain prices and asserted that it was ruinous to both operators and railroads, without, of course, mentioning that many operators were secretly in sympathy with the policy. Payrolls submitted in evidence, he pointed out, had shown that miners were earning \$100 to \$200 a month, but he failed to note that these wages were divided among two or more men. Calling attention to a gold-headed cane carried by one of the labor representatives, he remarked satirically: "Why, gentlemen, when I looked at these witnesses and compared their dress with my own, I really felt somewhat ashamed of myself; and if I had had a better suit I would have appeared in it, out of deference to yourselves and regard for the reputation of my clients."

On the legal point involved, he showed conclusively that none of the railroads had violated their charters. As to the question whether the companies had abused or misused their franchises, he replied that they had merely been acting to protect their property from destruction by the W. B. A., and that no one had proved that their charges were prohibitory. In any case, he said, the question could be determined only by the courts, not by the legislature.

While some of his arguments might have been refuted if the opposing counsel had been more able, his reasoning was exceedingly persuasive and served to convince the committee. Its final report agreed entirely with Gowen that the legislature had no power to act, and that any recommendation to the Governor to bring suit against the railroads to decide the question would be an "interference."

The union had already realized that hope of obtaining aid from the committee was illusory. A representative of the miners had conceded to Governor Geary that the W. B. A. would give up its policy of sus-

pensions, the point on which Gowen was most insistent. The old soldier, striving to be impartial, conferred with Gowen and two of the union leaders on April 5 in an attempt to reach a settlement, but the meeting broke up in disagreement over the wages to be paid pending arbitration.

The next night striking miners in Scranton paraded to several collieries there which were at work, and attempted to persuade the workmen to quit, the first mass demonstration since the walk-out began. Governor Geary promptly issued a proclamation, striking at both sides in the dispute. He declared it unlawful to prevent laborers from working, to hold riotous assemblies, and to charge prohibitory freight rates. The militia were sent to preserve order in Scranton, and the Attorney General was directed to file suit against the Reading for the surrender of its charter.

Neither of these moves served any useful purpose. There was no need of troops to suppress the miners, and Gowen was too sure of his legal ground to be alarmed about the suit, even if it had ever been pressed. They furnished a dramatic finale to the strike, however, as far as the general public was concerned, since interest in the controversy was waning. The return of warm weather had averted any danger that homes might go cold, and bituminous coal had replaced anthracite in industrial operations, just as Gowen had warned.

With the dispute back on a local level, the general council of the W. B. A. met at Mauch Chunk on April 10. Denouncing the Scranton newspapers for stirring up the late outbreak, the delegates agreed to arbitrate all points in controversy except wages, in spite of the fact that the rank and file had voted against arbitration. Judge William Elwell, of Columbia County, who was selected as arbiter, submitted a decision that the union should not attempt to control employment and discharges, while the operators should not be permitted to fire men because of union activity. This was the first important use of arbitration in America to settle a labor dispute.

Gowen's wage committee now attempted to by-pass the W. B. A. by making a direct offer to the men, on the basis of fixed wages about 8 per cent less than the 1869 base pay. It added suavely:

We wish you distinctly to understand that we do not desire to interfere with your association in any manner whatsoever. . . . We shall at all times be willing to assist you in maintaining your association for the relief of those members who, by accident or sickness, may require your aid.¹⁵

¹⁵ Pottsville *Miners Journal*, April 24, 1871.

As an alternative, the committee expressed its willingness to submit wages to arbitration.

The W. B. A. declared the proposal "is a trap, a snare, and a delusion, and bears on its face the impress of the mind of that wily schemer, F. B. Gowen."¹⁸ While the operators promised that they would give the men steady work throughout the year at the fixed wage rates, the miners suspected that their good intentions would hold only so long as the price of coal remained high. Nevertheless, the W. B. A. leaders agreed to accept arbitration on wages, fearful that the operators' offer might seem attractive to many of the workingmen.

The way to settlement was further paved when the general council of the union voted on May 3 to let each district make its own terms. Although the Lehigh region required two more months to reach an agreement, the Schuylkill field accepted arbitration within a week. Gowen promptly restored his freight rates to normal levels, but warned that they would again be advanced if resumption was not general in the region. Called in once more, Judge Elwell split the difference between the \$2.00 minimum basis insisted upon by the operators and the \$2.50 minimum asked by the union, and set the new minimum at \$2.25. This concession won by the miners proved meaningless, since coal did not fall below \$2.25 that year.

The union, in fact, had been seriously weakened by the strike. In forcing the W. B. A. to abandon its control of production, Gowen had destroyed its value to the operators. He had also demonstrated to the colliery owners that the supply of coal could be restricted by the railroads as easily as by the union. In the midst of the strike the Shenandoah *Herald* had reported a plan for the railroads to control production by limiting the number of cars allotted to each colliery, a proposal which seemed to have sprouted from Gowen's fertile mind. There was at least the germ of an idea which might be developed in the future.

¹⁸ *Anthracite Monitor*, April 29, 1871, quoted in *Pottsville Miners Journal*, May 2, 1871.

CHAPTER III

THE IMPROVEMENT OF LAUREL RUN

Effective as Gowen's arbitrary actions had been in settling the strike of 1871, he had used increases in the rates only as a temporary expedient for controlling production. "The best way of accomplishing this result," as he explained to his stockholders a year later, "was for the Company to become the owners of coal lands situate upon the line of its several branches." Purchase of the land would also insure the Reading's transportation monopoly, which was being threatened. Already the Pennsylvania, through the Northern Central, from the west and the Lehigh Valley from the east had thrust into the northern Schuylkill field. There was talk that the Lehigh, in conjunction with the Delaware, Lackawanna and Western and the Jersey Central, would build another road into the southern field. Although it was later claimed that this projected construction was only a scare thrown out by a few capitalists with some coal land they wanted to unload, at the time it must have seemed to Gowen like a real threat, since these rival roads could have bought up the collieries and deprived the Reading of much of its freight.

Moreover, only a corporation like the Reading could raise the additional capital needed to develop the coal regions. Under the original system of slope mining, digging had begun where a vein of coal reached the surface and followed the coal underground. The coal obtained thus paid for the excavation costs. There were known to be many other veins in the Schuylkill fields which did not come to the surface, and which could be reached only by sinking a shaft to them. Since the shaft produced no return until the vein had been reached and might use up several hundred thousand dollars on the way down, there were few individuals who could afford to undertake such an operation. A conservative business man, familiar with the chronic overproduction of anthracite for the past five years, might have thought there was no great hurry about developing new collieries, but Gowen, firm in his belief in an expanding America, wanted to be ready for the greater markets which he was sure were coming.

There was one major obstacle in his path. The Scranton companies and the Lehigh Coal and Navigation Company had been granted the

right to own and operate coal mines by their charters; the Lehigh Valley had acquired the right through merger with other companies. The Reading alone of the six anthracite corporations was denied the privilege of owning coal lands. Although an act of the assembly in 1869 had granted to any railroad or canal company the right to buy stock in any coal or iron company, Gowen had lobbied through an amendment excluding Schuylkill County from the provisions of the act.

He now probably had some reason to regret this amendment, but he felt sure of his ability to persuade the Pennsylvania legislature to permit him to buy coal lands. Pending this permission, he induced persons interested in the Reading to begin purchases on the promise that the company would take the properties off their hands at cost plus 6 per cent interest as soon as the necessary legislation was obtained. Some lands he bought in his own name with money furnished by the London banking firm of McCalmont Brothers and Company, which was one of the early investors in the Reading Railroad and by far the largest stockholder.

The right to own coal mines could not be acquired by the obvious method of asking for an amendment to the Reading's charter, for too much public protest might be aroused if the plan became generally known. A safer way was to obtain a charter for a corporation with some innocuous name, which could be phrased so that the Reading could acquire the corporation. Gowen claimed that such charters "were as plenty as blackberries in August," and that he could have had his choice of them, but for reasons best known to himself he preferred to get his own charter through the legislature.

On January 17, 1871, he persuaded a friendly senator from Dauphin County to introduce in the Assembly an act incorporating the Franklin Coal Company, and empowering it to own and operate coal mines wherever it might choose. This innocent-looking measure contained not a single reference to the Reading Railroad, but tucked snugly away in Section 7 was the sly clause:

It shall be lawful . . . for any railroad or mining company existing under the laws of this State [i.e., the Reading] to subscribe for or purchase the stock or to purchase or guaranty the bonds of the company hereby incorporated.¹

Proceeding along the usual routine paths, the bill came up before the Senate on February 14. Unmoved by the Valentine spirit, an indomit-

¹ Senate Bill No. 257, 1871.

able foe of monopoly, Senator Esaias Billingsfelt, of Lancaster County, rose to his feet to attack the sleeper clause in the bill.

In the resulting debate someone asked what company was backing the measure. Its sponsor, Senator Mumma, first said only that it was handed to him by "a friend who is engaged in the anthracite coal business in the county of Schuylkill," then admitted that the friend was Gowen. He added a limping explanation that Gowen was interested in the bill only as a trustee of the Girard Estate, and not as president of the Reading. Unconvinced, the Senate struck out the objectionable clause by a one-vote margin, making the bill useless to the Reading. Gowen, off in New York at the coal carriers' conference, was too far away to argue any senator into changing his mind. The next day the news of his freight increases stirred up a storm of protest which blasted the Franklin Coal Company bill right out of the legislature. As petitions against it came pouring into the Assembly, the measure was allowed to die a quiet death.

Not at all discouraged by this misadventure, Gowen soon brought the same bill back under a better disguise. On March 28, 1871, the very day the legislative committee ended its investigation of him, the new measure was introduced in the House by a member from the Washington and Beaver County district, far removed from the anthracite region. The proposed corporation this time had the title of the Laurel Run Improvement Company. The bill gave no hint of what Laurel Run was to be improved, but implied that the improvement was to come from mining coal and iron.

The disguise allowed the bill to slip through the House undetected, although Richard Williams, of Luzerne, who was also a member of the W. B. A., complained that "here was a bill that took in the Island of Black Susan and Sandomingo, and not a word was said against it."² The more sophisticated members of the upper house, however, soon smelled out the nigger in the coal pile and dragged him out on the Senate floor. The Reading's interest in the bill seemed to be common knowledge; when Senator Mumma bumbled, "This is not exactly a bill allowing the Reading Railroad to become the owners of coal lands and mine them as such," Senator Brooke, of Delaware County, declared, "There is nothing else in it."

With the mask thrown off, Gowen's forces jumped into the fray. They easily overwhelmed amendments which would have prevented the Laurel Run Company from operating in Schuylkill and Luzerne counties, only to go down to a 17-15 defeat when Senator Billingsfelt again

² *Pa. Legislative Journal*, 1871, p. 835.

moved to strike out the clause enabling the Reading to take over the charter. Once more, apparently, Gowen had been beaten, but this time he was not occupied with business in New York. The Senate adjourned for lunch, and he had an opportunity to work a miracle of conversion.

One can only speculate as to how that miracle was worked. Later, when Gowen had made new enemies, some of them flung charges of bribery at him. To these accusations he replied:

. . . since I have been the president of the Reading railroad company, that company has never employed unfair or dishonorable means to obtain the passage through the Legislature of any act securing to it, or to any company whatever, any privileges or franchises whatever.³

Although Gowen frequently adapted the truth to suit his purposes, he was never caught in an outright lie, and it is probable therefore that no money was handed out to influence votes on the Laurel Run bill. In any case, Gowen's voice was more persuasive than gold.

Whatever may have been served at lunch that day, when the Senate reconvened, three of the bill's opponents were conveniently absent, and another had changed his mind. On a motion to reconsider the morning vote, Senator Esaias Billingsfelt fought a valiant delaying action, but his cause was lost, and the vital section went back into the bill. When the measure came up for final passage the next day, the Lancaster senator, with the vision of his prophetic namesake, spoke out once more:

If we grant the privileges asked for in this bill, before the expiration of a few years these corporations will monopolize the whole coal trade, and every consumer will be at the mercy of this railroad company. . . . It is not only the privilege conferred in this bill allowing railroad companies to become operators that makes the bill so obnoxious, but the idea that we cannot stand up here to defend the rights of the people against the unjust demands of corporations, without being surrounded by men employed and sent here to urge the passage of bills of this kind.⁴

Gowen's work had been done too well for Billingsfelt's impassioned plea to be of any avail, and the measure passed by a comfortable margin. There was still another obstacle to be overcome, for Governor Geary was opposed to the bill. He proved as open to persuasion as the senators, however, and succumbed to Gowen's argument that every other anthracite railroad had the right which it was proposed to grant the Reading.

³ Gowen to B. B. Thomas, Jan. 20, 1873, in *Legislative Documents*, 1876, IV, 754.

⁴ *Pa. Legislative Journal*, 1871, p. 1057.

It is an interesting commentary on the journalism of the 1870's that the Capitol Hill reporters dozed all through these proceedings. The *Harrisburg State Journal*, one of Gowen's critics, reported vaguely a debate over an act to incorporate the "Laurel Run railroad company," and only after the bill had passed woke up to the fact that the Reading was involved. The Harrisburg correspondent of the Pottsville *Miners Journal* must have dallied in a barroom after lunch, for he reported that Senator Billingsfelt's amendment had passed without mentioning that the vote had been reconsidered in the afternoon. The *Miners Journal* itself, usually well informed on Gowen's plans, admitted that it knew nothing about the Laurel Run bill until it had been enacted into law. It should be remembered, on the other hand, that there was little criticism of Gowen's secretive course until several years later, when his enemies began to look for weapons with which to attack him.

On less controversial matters Gowen did not hesitate to apply for legislation openly. At the same time that the Franklin Coal Company bill was going down to defeat, another measure authorizing the Reading to borrow an unlimited amount of money was whisked through the legislature, without opposition even from Senator Billingsfelt. Had the legislators suspected what was going to be done with this borrowed money, they might have put up more of a battle, for this act was necessary to provide the funds for the purchase of coal lands.

Gowen promptly arranged for a \$25,000,000 bond issue, and sent his agents out to buy land. It was an excellent time to acquire coal property. Many an operator, disgusted by the regular strikes of the past four years and the unhealthy state of the market, was glad to get rid of his mine. Some lands Gowen thus acquired at low cost; on others he ran the prices up to high levels in a desperate effort to outbid rival roads. With an eye cocked to the future, he even bought up undeveloped lands and established collieries there. Iron ore properties in the Cumberland and Hudson valleys were added to the estate. Title was vested in the Laurel Run Improvement Company, all the stock of which was held by the railroad. In December, 1871, Laurel Run dropped its pseudonym and with the permission of the Philadelphia court became the Philadelphia and Reading Coal and Iron Company.

By that time it was the proud possessor of 70,000 acres of coal lands, more than twice as much as was owned by any other corporation. Gowen boasted to his stockholders:

The result of this action has been to secure—and attach to the Company's railroad—a body of coal-land capable of supplying all the coal-tonnage that can possibly be transported over the road for

centuries. This result has been obtained without imposing any serious financial burden upon the Company,—for the lands purchased are already so far developed that it is estimated they will produce in rents, during the year 1872, \$1,200,000, and it is believed that in less than three years the net annual revenue arising from the lands will be greater than the interest payable upon the loan issued to secure them.⁵

In spite of these monopolistic acquisitions, Gowen had not yet abandoned his original belief in the value of free competition among the operators to keep the price of coal low and expand shipments. In fact, when a committee of coal men approached him in the fall of 1871 with an idea for setting up a single sales agent to handle their coal instead of selling it through the many factors, or commission agents, who then divided the business, Gowen dismissed the plan, saying that the more people there were selling coal, the more coal would be sold.

The ownership of the coal lands, he felt, was sufficient to insure their tonnage for the railroad. Actual production he intended to leave to individual operators. In order to increase the competition, he even furnished capital to start in business men who did not have enough of their own; according to his own estimates, some eight or nine hundred thousand dollars was advanced in this manner. From his own standpoint he was now in an excellent position. For each ton of coal produced from the Coal and Iron properties the company received a rent of about forty cents; on each ton shipped over the Reading there was a profit of more than a dollar at the usual rate of two dollars to Philadelphia.

Although this return did not depend upon the price of coal, Gowen had full confidence that the demand in 1872 would be large enough to take every ton produced at profitable prices. With the nation at the height of its post-war prosperity, this prediction seemed justified, but it failed to take into account the increased capacity of the industry. Uninterrupted by strikes for the first time in five years, production for 1872 was 25 per cent above the best previous year. Under the pressure of this overwhelming supply, prices plummeted to bankruptcy levels. In March they dropped below \$2.25, which was probably the average cost of getting a ton of coal in the Schuylkill region to the shipping point at the time. By August coal was bringing only \$1.92. Nearly half the collieries in Schuylkill County shut down rather than continue to lose money at that rate.

⁵ Annual report for 1871, p. 17.

Gowen still felt that higher prices could be obtained if only the operators would ask them. In an effort to give prices a boost he raised the freight rates on June 1, but the storm of protest which followed forced him to abandon this experiment. In August the operators themselves tried to work out their own salvation by agreeing to set minimum prices for the line and city trade. Since this could be only a half-measure, they sent a delegation to visit Gowen and ask him to seek an understanding with the other anthracite companies on stabilizing prices in the New York market. Early in September the Reading president called upon the heads of the other corporations at their New York offices and persuaded them to try raising their prices. As a result, coal slowly climbed back above the break-even point by the end of the year.

While Gowen was thus attempting to raise the price of coal with one hand, with the other he was at work to lower it. He had already evolved an idea which was new to the world on the scale on which he proposed to apply it, a principle which was to be the foundation of the greatness of American industry—reducing overhead costs by mass production and mass distribution. The collieries on Coal and Iron Company land, he decided, could be operated more efficiently under one management than by the many individuals who now had them. The Reading's capital would also permit the installation of cost-cutting improvements which individuals would not be able to afford. He therefore at once took over the leases on twenty-seven of the largest collieries, which were gladly surrendered by their unhappy owners; the operators of the other seventy-one were allowed to continue until the expiration of their contracts.

While this measure offered only a long-term prospect of reducing the price of coal, Gowen's next step promised more immediate relief. Ready to produce enormous quantities of coal himself, he prepared to open large retail yards in Philadelphia to sell directly to the consumer. Mass retailing, as his facile pencil was ready to prove, could reduce overhead costs enough to save the consumer a dollar a ton or more. At the same time he planned to apply similar distributing economies to the wholesaling end of the trade.

Since he had to set up a sales system to handle his own product, he decided to offer the services of his agents to the other operators. He explained:

We had a business of from a million to a million and a half tons of our own to commence with. That was nearly ten times as large as any business that had ever been done before by a single factor at Richmond. It was therefore necessary for us to have our offices

in New York and in Boston and in Providence, and to complete all the preparations for an extensive mercantile business. We had to have agents; we had to pay them salaries; they had to be employed and paid to attend to our own business, and it cost us nothing more, except the risk of the failure of those to whom we sold the coal, to do a business of an additional million of tons per annum for others. The clerk who makes out a bill for five hundred tons of coal can just as well make it out for five thousand. It costs him no more labor. A purchaser who buys fifty thousand tons of coal can just as well buy it from us as buy it from eight or ten different men as he had to do before.⁶

While this cavalier conception of selling as a mere matter of taking orders suggested a dangerous flaw in Gowen's logic, the operators who sold through the factors were enthusiastic over the idea. With their commission of twenty to twenty-five cents a ton, the factors had long been sure of a steady and profitable business. Since their profits were even greater in proportion when the price of coal was low, the colliery-owners looked upon them enviously and were inclined to agree with Gowen's picture of them, sitting "at the water's edge like leeches, sucking the life-blood of a healthy trade." The operators therefore were quite interested when Gowen called a meeting of all those who did not have their own sales agents and offered to sell their coal for only ten cents a ton. In return he demanded that their product should be properly prepared so that there could be no complaints about poor quality.

The operators accepted the proposal promptly. One of them added: "Now, Mr. Gowen, you have made us a very liberal offer; it is going to work a revolution in the coal trade, and I simply suggest for your consideration this: that as up to this time you have only spoken to those who are miners in Schuylkill County, and who have factors to sell our coal, you ought to give the benefit of this to every man who sells his own coal, for even those who have their wharves at Richmond can do better by accepting your offer than they can by keeping in business."

"Very well," replied Gowen. "I think that is a good suggestion, and we will call a meeting of every man at Richmond interested in a colliery and will make him the offer."⁷ Shortly afterwards he invited the fifteen factors who had their own collieries to attend a meeting in his office on December 21, 1872.

As representatives of the firms drifted in one after the other that day, Gowen, seated at his desk, was busily signing bonds. When all had arrived, he laid aside his pen and explained casually that the Coal

⁶ Gowen, *Argument Before the Joint Committee*, p. 26.

⁷ *Ibid.*, pp. 26-27.

and Iron Company thought of selling coal for some of the operators, and wanted to submit the matter to all who shipped coal at Port Richmond in order to get their views. He explained the advantages of the plan, that larger orders could be handled and overhead charges could be reduced to about ten cents a ton. He assured them that he was not particularly anxious to take on this task himself, but, since he knew it should be done for the good of the coal trade, he would undertake it unless someone else volunteered. All he wanted to know was whether they wished to accept his proposal; any one who preferred to continue selling his own coal would be free to do so.

Much to his surprise, the coal men, instead of merely registering a simple acceptance or refusal, fell on his scheme and began to tear it to pieces. Suspicious of the powers of the new combination, they feared their own business would be crushed out of existence. One of the factors declared that he thought the idea contrary to the law of supply and demand. Pointing out that he had been eighteen years in his business, he asked what he was to do if it were taken away from him. Gowen replied that he could make more money for them than they could for themselves, but the factor, somewhat skeptical of his arithmetic, begged leave to differ with him on that point.

The factors also found fault with the proposal to pool the coal—that is, to handle all the coal as if it had come from the same colliery. Most of the collieries represented at the meeting had established their own brand names as a symbol of good quality, and in consequence could usually obtain a premium price. Although Gowen assured them that under his plan all Schuylkill coal would be clean from now on, they were not convinced of his ability to work such a miracle, and were reluctant to give up their own brand names.

Since he had not called the coal men together to debate the wisdom of his policy, Gowen became irritated at this criticism and began to lose his temper. He told the group that he thought the coal trade could be much improved, and in his efforts to improve it he wanted their cooperation. If they refused, he might get ugly and have his own way.

To the factors this sounded like the threat they had feared—that Gowen, with the powers of big business behind him, intended to force them into the pool. All his denials that he had any such intentions were vain. B. B. Thomas put the suspicions of the factors into words:

Had your declarations been only those of Franklin B. Gowen (which cannot be supposed), the estimate placed upon them would be widely different. But when regarded as the sullen murmurings of a powerful corporation, whose inspirations and aspirations are

thought to be somewhat monarchical; who, through the aid and instrumentality of venal Legislatures and mercenary Executives, are insidiously, in conjunction with kindred corporations, sapping the very vitals of the nation, crushing individual enterprise, laboring to subjugate labor, subsidizing the press, and rendering the idea of representative government a scorn and byword. You cannot—you certainly do not wonder at the feelings your words inspired, nor can you regard these charges as drafts on the imagination for facts.⁸

To these charges Gowen replied with unusual restraint:

Our ownership of coal lands may, to some extent, give us the monopoly of the coal trade, but such monopoly shall never be used, so long as I have control over the company, to injure the individual coal miners who have collieries in our region; and it will not be very long before you yourself will be obliged to admit this, as your own coal property will be immeasurably increased in value in consequence of our action. . . . I claim to know what my secret thoughts and motives are, better than you or any other man does, and can only remind you of the injunction, "Judge not that ye be not judged." Referring now to your more serious charges of bribery, fraud and corruption, brought against me as president of the company, I can only say that I draw no distinction between myself as an individual and as president of a company, and that I hold myself as president to the same rules of morality that have always been my guide through life.

Yielding to your fancy, however, of separating the two identities, I beg leave to say to you, as *president of the company*, that when you make these charges *you are guilty of wilful, malicious and deliberate slander and falsehood*.

Reciprocating as an *individual* the kindly feelings expressed towards me personally, I remain,

Your obedient servant,
Franklin B. Gowen.⁹

While the colliery agents were still seething angrily, Gowen stirred the wrath of the dozen independent factors by an order denying them wharf room and thus driving them out of business. He already had the retail coal dealers up in arms over his decision to open retail coal yards. Other mining corporations had opened such yards without any protest being offered, but Gowen had too much power as a competitor. At a meeting in Philadelphia the retailers reported rumors that the Reading was going to destroy their business by refusing to deliver them any more coal.

⁸ *Pa. Legislative Documents*, 1876, IV, 746.

⁹ Gowen to Thomas, Jan. 14, 1873, in *Pa. Legislative Documents*, 1876, IV, 750.

On seeing this allegation in the newspapers, Gowen seized an angry pen and dashed off an attack on the coal dealers for the prices they charged, declaring:

With a view of securing to the people of Philadelphia an abundant supply of coal at a reasonable price, the Philadelphia and Reading Coal and Iron Company have already opened one or two large yards, and in the spring will open several others; and although it proposes to infringe very seriously upon the rights of other retail dealers to monopolize the trade at exorbitant prices, it will be very careful to make no use of any power it may possess to injure them in any other manner than by direct, fair, open, and honorable business competition.¹⁰

He carefully explained why he expected to sell coal from one to two dollars a ton cheaper than the other retailers. A yard selling 100,000 tons a year, for example, could charge lower prices than one selling 3,000 tons a year, and he set forth figures to prove it. To the accusation that his low prices would only last until the retailers had been driven out of business, and would then soar upwards, he replied:

It is difficult calmly to answer any objection which assumes that one is both a liar and rascal, but if any Philadelphia consumer of coal is fearful of the result of our monopoly of retail trade, we will enter into a contract with him, with good and sufficient sureties, to sell him all the coal he wants for twenty years, at prices which shall never be within fifty cents as high as the average of the last ten years. . . .¹¹

Conscious of his intentions of dealing fairly and squarely with all his competitors, Gowen regarded these suspicions that he would use his powers unscrupulously as a personal insult. One Philadelphia coal dealer, in a letter protesting against delays in shipments of coal to him, asked irritably:

Will you please inform us if it will *now* be your policy to withhold shipments, and delay transmitting coal to retail dealers, so that we may know how to regulate our business, as we have been very seriously embarrassed for the past two weeks by not receiving our shipments promptly.¹²

¹⁰ Gowen to Philadelphia *Ledger*, Jan. 18, 1873, in *Pottsville Miners Journal*, Jan. 21, 1873.

¹¹ Gowen to Howard Snelling, Boston, Jan. 30, 1873, in *Pottsville Miners Journal*, Feb. 7, 1873.

¹² John T. Roberts & Bro. to Gowen, Feb. 7, 1873, in *Pa. Legislative Documents*, 1876, IV, 609.

After restraining himself long enough to promise to investigate the delay, Gowen indignantly replied :

In answer to your inquiry as to our policy, I have to say that it never has been, is not now, and never will be our policy either to withhold shipments or to delay transmitting coal, or any other freight either to retail dealers or to anybody else.

I do not believe that we have ever given you any cause to suspect that we would be guilty of any such unjust discrimination, and regret very much that you should have thought it necessary to intimate any suspicions of the kind.

My position as president of a company, engaged as common carriers, renders it imperative for me to receive and promptly answer any communications upon the business of the company. I cannot avail myself of the privilege which any private citizen has, of resenting an unfounded imputation upon his character, but I respectfully suggest to you that the mere fact that I am thus powerless, is no justification for the insinuations of your letter.¹³

The coal dealer expressed his regrets that anything he had said might have been interpreted as a reflection on Gowen's character, but repeated that the unreasonable delay in the arrival of his coal had given good grounds for suspecting that it was intentional. This provoked an icy response :

I have your letter of the 12th inst. in which you again assert that you find cause to suspect our motives and couple with this an explanation or apology, which is as insulting as the original offence. May I ask that hereafter you will confine your correspondence strictly to the particular business which makes it necessary that I should have any communication with you.¹⁴

Hurt by all this criticism, Gowen sighed :

No one should hold the post of president of a large railway company unless he has moral courage enough to follow out the path that he believes to be right, undisturbed by any imputation upon his character, and unaffected by any popular or newspaper clamor. I have an old-fashioned idea that we can make more money by being honest than by being dishonest, and I promise not to abandon this idea until I have given it a fair trial. If the result of that trial is not a success, somebody else may manage the affairs

¹³ Gowen to John T. Roberts & Bro., Feb. 10, 1873, in *Pa. Legislative Documents*, 1876, IV, 602.

¹⁴ Gowen to John T. Roberts & Bro., Feb. 14, 1873, in *Pa. Legislative Documents*, 1876, IV, 603.

of the company, and I will pick up my green bag and go back to practising law.¹⁵

In the midst of this newspaper controversy Gowen went to New York on January 16, 1873, to meet his fellow anthracite executives. These were the same men with whom he had worked so successfully in his dramatic freight embargo of 1871—Asa Packer, of the Lehigh Valley, Thomas Dickson, of the Delaware and Hudson, George Hoyt, of Pennsylvania Coal, and Samuel Sloan, of the Lackawanna—but there was one corporate newcomer in the Central Railroad of New Jersey, which had just leased the property of the Lehigh Coal and Navigation Company. As the New York *Tribune* reported next day, the coal men agreed to maintain prices for 1873 at an average of five dollars a ton wholesale in New York, the first industry-wide price-fixing agreement in America, the first attempt to revise the old law of *laissez-faire* to meet the conditions of a new industrial world.

In accordance with Gowen's ideas it was decided to set prices low in the spring to encourage early buying with a gradual rise until winter. The Reading president told the *Tribune* reporter that there was no need to control production to maintain prices since the demand in 1873 would be three million tons greater than in 1872, when the mines had worked at capacity. Nevertheless, in February the board of control of the new combination decided to limit the tonnage transported to competitive markets by each of the six major companies. Of the tentative total of ten million tons estimated for 1873, the Reading was allotted 2,585,000; the Hudson, 1,837,000; the Jersey Central, 1,615,000; the Lehigh Valley, 1,598,000; and the Lackawanna, 1,380,000. The Pennsylvania Coal Company, while not formally a member of the combination, agreed to abide by its quota of 985,000 tons. Although the Pennsylvania Railroad refused to join the association, its anthracite tonnage was too small to have much effect on the market.

Meanwhile, Gowen went ahead with his plans to insure the production of clean coal. He appointed a force of inspectors to visit the collieries daily and investigate the way slate was removed. He stationed other inspectors at the shipping ports to examine the coal. Any coal condemned there was ruthlessly dumped and picked by hand, at the cost of the colliery which had shipped it. As an additional incentive he offered prizes to the slatepickers of the mines producing the cleanest coal during the year. It was a battle against the traditional prejudice of the old-fashioned operator, who believed that selling slate was

¹⁵ Gowen to Howard Snelling, Boston, Jan. 30, 1873, in *Pottsville Miners Journal*, Feb. 7, 1873.

profitable, but Schuylkill coal in 1873 was cleaner than it had ever been. To demonstrate the improved quality of his product, he took leading manufacturers from New York and New England on annual excursions through the coal fields and convinced them that Schuylkill anthracite was now dependable. Within a year or two even the most stubborn operator was willing to concede that Gowen had been right.

Confident that coal would now be clean, he promptly abolished the traditional 5 per cent allowance for dirt and slate. Under this practice a coal dealer in Philadelphia who received 100 tons of coal had paid both the railroad and the operator for only ninety-five tons, on the assumption that the other five tons were worthless. The elimination of this practice in effect increased both the price of coal and the freight rates by 5 per cent, but Gowen believed that no allowance for dirt would be necessary from now on.

Although the formation of the coal pool and the expulsion of the independent factors from their wharves had assured him of the control of most of the shipments to Richmond, the refusal of some of the operators to join the pool had left a sizable proportion out of his hands. Since he had also to restrict the production of these independents in order to carry out his agreement with the anthracite combination, Gowen worked out an ingenious device. When the shipments to Port Richmond reached the total allotted the Reading for the month, the Coal and Iron Company continued to work and to load coal cars. These loaded cars were then set on sidings, and thus made available for hauling. When operators called for cars to ship coal, they could therefore be given only a percentage of the number they asked for, and in consequence their production was restricted willy-nilly.

With the country reaching the climax of the post-war boom, the new anthracite combination fared very well during 1873. The price of coal averaged about fifty cents a ton better than in the disastrous year of 1872, and production reached record heights. Prices advanced month by month according to plan, and consumers who held back from purchasing at the low spring prices in the expectation that the combination would break up were punished by paying more in the fall. The crash of Jay Cooke and Company in September, signaling the end of the wave of prosperity, shook the association only temporarily, and prices remained firm.

Nevertheless, the expected falling-off in demand required that the coal compact be strengthened. A long, formal agreement was drawn up in January, 1874, for the regulation of the trade. Gowen succeeded in obtaining a clause limiting the factors' commission to fifteen cents a

ton and requiring that they sell at least 25,000 tons a year, but failed to prevent a price rise of twenty-five cents above 1873. As an enforcement measure the association's committee of six was authorized to inspect books to see whether sales were being made at posted prices. The agreement worked so well that, although production was only 5 per cent below the record year of 1873, even the increased prices were fairly well maintained in the face of a nation-wide depression.

The success of Gowen's measures for stabilizing the anthracite industry had conciliated most of his erstwhile critics. To complaints about the increase in the price of coal, the *Engineering and Mining Journal* replied for Gowen that anthracite was the only staple which had returned to its pre-war level, selling for no more than it had twenty years before, while flour cost twice as much. Even the consumers seemed satisfied that no great harm had been done them. Only a few of the ousted factors and the Philadelphia coal dealers were still in a fighting mood.

Already angered at the competition Gowen was furnishing them, the retailers were in no mood to be tolerant of the petty annoyances his devices of control forced upon them. One of their grievances resulted from the policy of keeping the coal cars loaded. As production exceeded demand, these loaded cars piled up until at one time in the summer of 1874 the sidings were filled from Port Richmond as far north as Reading. The resulting "blockade" made it impossible to handle shipments to the retailers with the usual speed. The time required for delivery in Philadelphia lengthened from one day to four or five, and sometimes two or three weeks. Since the Coal and Iron Company shipped to its retail yards in solid trains, the crowded sidings did not interfere with its deliveries, a fact serving only to exasperate its competitors the more. They were also provoked that the railroad charged them demurrage for not unloading their cars promptly, while it kept cars loaded with its own coal for months at a time.

One retailer had a particularly aggravating experience. Expecting a carload of coal, he walked up along the tracks and found it on the sidings. He watched an engine move his car four times to get out cars for the Coal and Iron Company's yard. When he asked the conductor why he did not bring out the cars consigned to private individuals, the conductor replied that he had been told to bring down only the company's coal. The retailer jumped up and rode the train to the Coal and Iron yard, where he watched the cars being moved in, and then walked two blocks farther to stare at his own empty yard. On another occasion at the request of the railroad he kept his yard open on Sunday to receive

coal, but none came; then he strolled over to the Coal and Iron yard, and saw coal being delivered there. Once, when he found three cars consigned to him on the sidings, he brought up his wagons and started to unload them. Before he had finished, the cars were switched to another siding where he could not get at them.

The elimination of the 5 per cent weight allowance resulted in another grievance. Under the previous system, when the retailer received a ten-ton car of coal, he was billed for only nine and a half tons; now he had to pay for ten. Before, the dealers had gained a little from the allowance; now they lost a little out of each shipment from dirt and slate. This led them to suspect that the weight was short, and some of them began to keep records whenever coal was dumped into an empty bin to check up on the weights. One dealer found himself short six tons out of sixty-nine, talked to other dealers, and learned they had all had similar experiences. Another coal man received a car, billed at ten and a half tons, which was about the maximum capacity of the car. Since it was not full, he asked the railroad to take it back and check its weight. When the car was returned with the weight verified, he decided to test it himself, and found the load 1,300 pounds short, according to his scales. It was even more irritating when the company presented him with a bill for \$10.75 for checking the weight.

Another dealer received a shipment of coal which had been weighed twice on the railroad scales with two different results. He weighed it as it came into his yard, and got a total corresponding to the lower weight given by the railroad. When he went to the company's office to register a complaint, he was told that the higher weight must be the correct one. Other coal men went up into the coal regions to watch the weighing methods. They brought back stories that the weighmaster often weighed the brakeman or the hind legs of the mule pulling the car, along with the coal.

These grievances were magnified by the red-tape Gowen's centralized control had set up. One regulation required that any freight bills received during the week must be paid the following Monday by two o'clock in the afternoon, or all deliveries would be halted. On one occasion a coal dealer had paid \$1,300 in freight on coal not yet delivered. That Friday another bill for \$27 was received. Through an oversight this payment did not reach the Reading office until a few minutes after two the following Monday. Following the rules strictly, the clerk refused to accept it and stopped all deliveries of coal. The next morning the dealer went down to the office with the money at eight-thirty, but was told that no payments could be accepted until nine o'clock. At length

he did persuade a clerk to take his money ten minutes before the hour and give an order for the release of his coal.

A dealer who called at the Reading office with a short-weight complaint was promised an investigation. On his return the following week nothing had been done; he came back week after week with similar results. Finally he obtained another promise of an investigation, and a week later was told that his complaint had been examined and found unjustified. The coal man put up an argument, but the Reading official refused to do anything about it. When the dealer demanded the return of his papers, the official replied, "I do not know where they are." "I said I want those papers before I go," repeated the coal man, and the official again responded, "I do not know where they are." "If you do not give them to me now, I will go at once for a lawyer," the dealer threatened, whereupon the official answered, "Don't be fussy about it," and produced the papers.

Another dealer took a complaint to the coal clerk's office. The clerk told him that he could only obey orders, and suggested he see Mr. Darrach, who was in charge of claims over freight. After a week's investigation Mr. Darrach told the dealer that he should take the matter up with Mr. Wilson in the Reading's downtown office at Fourth and Walnut Streets. He promptly sent a clerk down to see Mr. Wilson, who referred the matter back to Mr. Darrach. When he returned to Mr. Darrach, that gentleman again referred him to Mr. Wilson. The dealer eventually abandoned his complaint in disgust.

Another coal retailer had a similar story of a runaround. As he told it, "I would go down to the Office—Mr. Gowen was in Europe—I went to see Mr. Jones; he would say I know nothing about it but that the gentleman in the back room did; I would then go to the gentleman in the back room, and he would say I will attend to it—I will have your coal sent in—I will telegraph up the road; still it would not come in; then I would go down again to the office and of course the same routine would be gone through—Gowen would be in Europe—and the same answers would be given."¹⁸

Back of all these complaints was the coal dealers' fear of their corporate competitor. Gowen was experimenting with methods in retailing, methods that years later were to bring about chain stores and supermarkets—direct sale from producer to consumer, eliminating the middleman, and rapid turnover to reduce overhead costs. Unable to meet this competition, the coal men muttered in angry resentment, and awaited an opportunity to strike back at Gowen.

¹⁸ *Pa. Legislative Documents, 1876, IV, 792.* The experiences of the other retailers are also given in this document.

CHAPTER IV

RAILWAYS AND WATERWAYS

While Gowen had been building the Coal and Iron Company into the largest marketing organization the world had ever seen, he had not been neglecting the interests of the railroad. He continued the expansion of the branch lines begun by former president Smith, and carried out some additional ideas of his own. In 1875 the Perkiomen Railroad, started by his predecessor, was completed, providing a direct route between Philadelphia and Allentown. Unfortunately the local traffic over the road was light, and the competition of the Northern Pennsylvania between the same points made it a money-loser. A more valuable acquisition was an abandoned line of the Philadelphia, Wilmington, and Baltimore Railroad, which gave the Reading access to Chester in 1873.

To provide additional trackage between Norristown and Philadelphia, the Philadelphia, Germantown, and Norristown Railroad, which ran up the east bank of the Schuylkill, on the opposite side of the river from the Reading, was leased in 1870. Although he had to pay a rent equal to 12 per cent upon the capital of the leased line, Gowen felt that it was cheaper to lease the already built road than to construct a new one. Moreover, a branch of the Norristown road ran through the suburban districts of Germantown and Chestnut Hill and extended into parts of Philadelphia not reached by the Reading. Gowen's faith in the railroad was justified, for it proved a profitable investment, despite the high rent.

Another important extension was made in 1872 with the lease of the Catawissa Railroad. This line connected with the Reading at Tamanend, north of Tamaqua, whence it ran north and west through Danville, with its iron works, to Williamsport, center of the lumbering industry. Gowen conceded that no profit could be expected from this lease for some years, but declared that the Reading would make up any deficit in the operation of the leased line by the increased profit it would earn by carrying all the Catawissa's traffic over its own line.

The lease of the Schuylkill Canal in 1870 proved to be an unsatisfactory investment, although Gowen's primary purpose in acquiring it was probably to eliminate the canal as a competitor. After a year and a half of operations at a loss he considered the result "much more satisfactory

than was anticipated," and even held out the hope that thereafter the canal would be a source of profit. The loss in 1872 was worse than ever because of the depression in the coal trade that year; Gowen admitted that the company would have made more money by closing the canal and carrying all the coal on the railroad. He pointed out, however, that such a policy would have been short-sighted, since before long the expanding anthracite industry would furnish more coal than the railroad could carry. By the end of another year he had changed his mind, and decided that the canal should be used as "a dripping pan, to catch whatever may overflow from the railroad." He consoled himself with the thought that the canal was not really losing money, since he could have transferred enough business to it to show a profit if he had wished, and in any case the loss was not nearly so great as the amount which would have been paid to the canal company under the old contract which had been cancelled by the lease.

Undiscouraged by this experience, Gowen in 1872 leased another waterway, the Susquehanna Canal, extending from Columbia to tide-water in the Chesapeake. It provided a connection with Baltimore for freight coming down the Pennsylvania Canal from the Juniata and Susquehanna valleys. Gowen saw the possibility of increasing coal traffic over the Reading's branch to Columbia by developing this route to Baltimore, and thought that it could be done more easily if the canal were directly under his control. Although the rent for the first eight years was limited to the interest on the canal's debt and half the net profits, the lease resulted in a persistent loss.

Interlopers in the Reading territory were dealt with efficiently. The Wilmington and Reading Railroad had connected with Gowen's line at Birdsboro, and used eight miles of its track to reach the city of Reading. When Gowen in 1872 issued an order forbidding the use of this track, the Wilmington built its own line beside the Reading's. A riot broke out between this construction gang and some of Gowen's employees, but the line was laid nevertheless. Despite Gowen's opposition the Berks County Railroad was built to connect this road with the Lehigh Valley at Slatington. The Lehigh operators began shipping south over this line because it offered cheaper rates until the Lehigh Valley suddenly and unaccountably raised the rates for its own portion of the trip so high that it was cheaper to ship over the Reading. No reason was ever given for this action by the Lehigh Valley, but rumor ran that Gowen had told Asa Packer, the Lehigh's president, that he would haul no Lehigh coal to Philadelphia unless Packer would help to crush his competitor. Struck down by this opposition, the Berks County Railroad collapsed

into the Reading's waiting arms, and Gowen had another branch line.

Outside of his own domain he was more willing to compromise. In 1871 the expanding Pennsylvania Railroad leased the properties of the United Companies of New Jersey. The Pennsy was interested primarily in the United's Camden and Amboy Railroad, the only line then running between Philadelphia and New York. Possession of this road made the Pennsylvania the first company to control a through route from Chicago to New York harbor, although its three great rivals, the Baltimore and Ohio, the Erie, and the New York Central were to follow within a few years. Gowen tried to block this lease until the Pennsylvania offered him satisfactory rates for his coal over the United's other property, the Delaware and Raritan Canal. Quite satisfied with this water route for sending his anthracite to New York, Gowen came to terms with his rival. When John W. Garrett, president of the Baltimore and Ohio, tried to interest him in fighting the Pennsylvania by joining in the construction of a new line between Philadelphia and New York, Gowen turned down the idea.

In this decision, which he was to regret before many years had passed, the Reading president was standing out against the trend of the times. Every other anthracite corporation was busily engaged in seeking an independent outlet to New York. The Hudson was building up a railroad system to replace its obsolescent canal, and the Lehigh Coal and Navigation Company, by its merger with the Jersey Central, had become part of a through rail-line from Wilkes-Barre to New York. Both the Lackawanna and the Lehigh Valley were acquiring their own routes to New York, the former by leasing the Morris and Essex Railroad, the latter by building the Easton and Amboy. Three of the four companies were also extending their lines into the interior to open up new markets for anthracite, the Lackawanna and the Lehigh Valley to Buffalo, and the Hudson to Canada. Meanwhile, Gowen had to depend on the Pennsylvania to carry him west from Williamsport and east from Philadelphia.

One means of obtaining an independent outlet to New York and New England was the construction of a fleet of steam colliers, which was begun in 1869. The Reading had been handicapped in getting its coal carried by sea because of the vagaries of the individual ship-owners, who sometimes let anthracite pile up on the Richmond wharves when business was more profitable elsewhere. Possession of his own vessels enabled Gowen to ship his anthracite to New England and the South without the usual delays. The success of the initial fleet of six ships induced him to order eight more, and in 1874 he started to con-

struct his own shipyard at Port Richmond. Unfortunately, the Philadelphia City Council failed to vacate the proposed streets passing through the yard, and a year later Gowen was still complaining that it had been impossible to complete the project.

Another of Gowen's policies brought him into conflict with his first important corporate antagonist. The Reading's express business was being handled by the Adams Express Company, which paid the railroad a fee based on its gross receipts. The company also paid the Reading's freight agents a commission on the business they handled. In 1872 Gowen decided that this policy tended to reduce the Reading's freight business, since it was to the agents' financial interest to divert shipments to the express company. Moreover, he believed that the railroad could increase its profits by handling the express itself. He therefore cancelled the contract with the Adams Company, and set up his own express business.

Fighting back, the express company sought an injunction in Federal court, restraining the Reading from monopolizing the express business. Although the injunction was denied, Adams slashed its rates wherever it could compete with the Reading. To Gowen's indignation, the company continued to carry money shipments over the Reading's lines in the valises of its agents, and it was even detected shipping express packages concealed in trunks, which the agents checked as their personal baggage. It refused to accept any express from the Reading for further transportation unless all charges were prepaid.

Despite the continued opposition of the Adams Express Company, Gowen made the new line pay. Its profits, as he calculated them, regularly amounted to more than the Reading had received under the old contract. He commented:

The result fully justifies the action taken by the Company, in a pecuniary point of view, which is really of trifling importance when compared with the benefits resulting from that perfect discipline among all its employees, which is secured by removing any intermediate organization from the management of the legitimate business of the Company and the control of its officials.¹

Watching all these developments, the *Shenandoah Herald* raised an amused eyebrow and reported:

Since the Reading Co. has added the local express business to its numerous other ventures, it is rumored that they propose buying

¹ Annual report for 1872, pp. 30-31.

up and running all the pea-nut stands on the line of their road. It seems that there is to be no limit to the go-ahead-a-tive-ness of the managers of this company.²

Although the general depression offered little encouragement for the expansion of the anthracite trade, Gowen continued to prepare for the future by adding ten thousand acres a year to the holdings of the Coal and Iron Company, to raise the total to one hundred thousand acres by the end of 1874. Ten more collieries, making thirty-seven in all, were taken over for operation by the company, but sixteen other collieries were allowed to close down. Gowen's favorite project was an attempt to reach the famous Mammoth Vein, twenty-five feet of solid coal, by sinking two shafts just north of Pottsville, a colossal engineering feat for the times. Year after year the shafts went down, and the miners sang derisively of "Franklin B. Gowen's big hole in the ground." After three years of digging, Gowen announced that one of the shafts had reached a depth of 1,128 feet and that drilling had revealed the Mammoth Vein only eight hundred feet farther down. Although the opening of this vein was thus several years in the future, Gowen pointed out:

The extent of territory tributary to these shafts is so great that there can be but little doubt that at least one hundred millions of tons in the several veins already opened can be worked through them, and that for almost an indefinite period the proposed colliery will become one of the most productive known. When it is considered that the deposits of coal thus opened and proved extend throughout the entire length of the southern coal-field principally underlying lands bought at exceedingly low prices, and heretofore considered by many as comparatively valueless, and which are within one hundred miles of tidewater at Philadelphia, the importance of the developments made by the shafts cannot be over-estimated.³

It was consistently Gowen's policy to build up business along the Reading's lines in order to increase its traffic. The most important industry in the Schuylkill Valley in the 1870's was iron manufacture. Gowen explained in 1871:

Next in value to the coal-traffic, the iron interests of the Schuylkill valley claim the attention and deserve the protection of the Company; and the wisdom of the policy which, for the past few

² July 3, 1873.

³ Annual report for 1874.

years, has been securing an unfailing supply of iron ore for consumption along the main line of the road, will be fully justified by future results. The Lebanon Valley Branch, the East Pennsylvania Railroad, the Reading and Columbia Railroad, and the Colebrookdale Railroad drain regions containing inexhaustible supplies of iron ore. Limestone of the best quality is found in great abundance along the line; in the rich agricultural valleys of Montgomery, Berks, Chester, Lebanon and Dauphin counties, labor will at all times be found as abundant as in any other portion of the State. Anthracite coal, of the very best description for smelting, puddling and heating purposes, will always be as plentiful as in any other region; and it is believed that there is not at present in Pennsylvania any other locality possessing greater advantages for the manufacture of iron than the valley of the Schuylkill.⁴

These arguments were not quite so convincing as they would have been ten years earlier. Until the Civil War the Schuylkill Valley had been the heart of the iron industry. Now the substitution of coke for anthracite and the opening up of the high quality ore deposits on Lake Superior was moving the center of the industry west to Pittsburgh. Not realizing that he was fighting the laws of economics, Gowen nevertheless encouraged the erection of new iron furnaces along the Reading's line. In the summer of 1873 he told a reporter for the *New York Tribune* that his company had put up half the money to build six or seven such furnaces. The panic that fall brought an abrupt halt to this expansion.

However wise these policies had been for the improvement of the Reading's business, they had been expensive. While income had been increasing, the company's debt had risen far more rapidly. When Gowen became president of the Reading in 1869, its debt was only seven million dollars with annual interest charges of \$400,000. In 1870 he found it necessary to borrow five millions to pay for the construction of the new roads which had been undertaken and for additional rolling stock. All these bonds, however, were converted into stock in the next few years, and did not increase fixed charges.

In 1871 the Reading's indebtedness jumped skywards with the acquisition of the coal lands. Money for the purchases was obtained from an issue of twenty-five million dollars in consolidated mortgage bonds, of which six million was set aside to cover existing mortgage obligations. Offering an interest of 7 per cent in paper money or 6 per cent in gold and protected by a foreclosure clause, the bonds sold readily. The loan was taken chiefly in England, where it was floated by the house

⁴ Annual report for 1870, p. 16.

of McCalmont Brothers and Company. As the largest stockholder in the company, the firm had approved Gowen's idea of financing the expansion by selling bonds at 7 per cent instead of issuing additional stock, which was paying 10 per cent dividends. Gowen himself journeyed to Europe to work out the details of the arrangement with the McCalmonts.

The following year Gowen turned to his stockholders for additional funds. The money was needed, he said, to construct steam colliers, new roads, rolling stock, "&c., &c." Stockholders were allowed to subscribe for ten and a half million dollars in debenture bonds in proportion to their shareholdings, and to pay for them on the installment plan over three years. Although these bonds did not have the security of the mortgage loan, they were an attractive speculation, offering 7 per cent interest and the privilege of conversion into stock at par, a valuable privilege when Reading shares frequently sold above their fifty-dollar par, and they were all taken.

By 1873 the voracious demands of Gowen's optimistic expansion required a return to the London money-market. Announcing an improvement mortgage issue of ten million dollars, he published a circular, setting forth the glowing prospects of the company. Once more he went to England to aid the McCalmonts in floating the loan. A discount of $12\frac{1}{2}$ per cent had to be offered to make the bonds attractive enough, but the money was obtained. The next year he was back in England for more funds, despite the general business depression. The Reading's Board of Managers had authorized a new general mortgage loan of sixty million dollars at 6 per cent to take care of additional construction. Only ten million was to be offered at this time, however; thirty-five million was to be set aside to cover the mortgage bonds already outstanding, and another fifteen million was reserved for future needs. With additional security offered by a mortgage on the property of the Coal and Iron Company, he was able to obtain the ten million he needed at a discount of only 10 per cent.

In the meantime the Reading had guaranteed thirteen million dollars worth of the Coal and Iron Company's bonds and two and a half million dollars of the Perkiomen Railroad bonds, not to mention two million in bonds of independent iron companies, which were still paying their own interest. Thus in five years Gowen had increased the Reading's indebtedness by sixty-five million dollars, almost twice the valuation of the company when he had become its president in 1869. The annual interest on this debt was about four million dollars, little less than the average profit of the railroad during these years.

To Gowen this was immaterial, since, in the expanding future he

foresaw, his improvements would double the earnings of the railroad in a few years. Gowen's confidence was contagious, his figures convincing. With implicit faith the money lenders welcomed each successive loan. They were untroubled by the fact that he was paying annual dividends at the rate of three and a half millions while he was borrowing more than fifteen millions a year, since financing expansion out of earnings had not yet become a corporate practice.

Among the enemies that Gowen was gradually accumulating, however, there were some who looked with skepticism on his figures. One of them even asserted that the earnings out of which dividends were being paid were largely fictitious. An erstwhile friend, Eugene Borda, who had turned against Gowen after his organization of the anthracite industry, published a "Few Remarks" in 1874, analyzing some of his arithmetic. Penetrating the financial labyrinth of the annual reports, he brought out the interesting point that for the past two years a mysterious item, called "Receipts from the Philadelphia and Reading Coal and Iron Company," had been sandwiched between some additions and subtractions to produce a sum large enough to make it appear that the Reading had earned its dividend. Since the Coal and Iron Company had been consistently losing money, it was difficult to see how it could be in a position to make payments to its parent company.

Even though the Coal and Iron Company published no annual reports, Borda was able to deduce the mystifying accounting practices which made such payments possible. In September, 1873, Gowen had placed the Reading's investment in its subsidiary at upwards of twenty million dollars. Three months later the annual report had given this investment as twenty-six million. Since there had been no significant purchases in the interval, Borda guessed that the Coal and Iron's operating loss was being charged off as a capital investment to conceal the loss from the public. What the Reading was doing, he intimated, was borrowing money, turning it over to the Coal and Iron Company, and then taking part of it back in order to pay its dividend.

Borda found other discrepancies in Gowen's figures. In the September prospectus he had put the annual production of the Coal and Iron Company's property at about four million tons, while the exact figures of the annual report had revealed it as less than three and a quarter millions. The prospectus had valued the coal lands at five hundred dollars an acre; the report three months later had raised this to six hundred. Moreover, Gowen had said that five hundred dollars, while more than the original cost of the property, was only about half their market value

—a truly remarkable rise, when it was considered that the company had owned the land only two years.

If Gowen had deigned to answer these criticisms, he would have said that his valuations were moderate rather than excessive. Taking into account the growth of the country and the stabilization of the anthracite industry, property values would continue to increase rapidly. To the accusation that the losses of the Coal and Iron Company had been funded into debt, he would have replied that it was proper to charge off development costs to capital.

There was no need to answer Borda, however; his "Few Remarks" were passed over as the complaints of a disgruntled operator. The Reading stockholders were too satisfied with their 10 per cent dividends to re-read their annual reports, and the bondholders were content with the ample security Gowen's estimates offered them.

In the midst of these activities Gowen still found time to answer the call of civic duty and, incidentally, to help protect the business interests of the Commonwealth. The Democratic party paid tribute to his prominence in 1872 by naming him as one of its delegates at large to the convention which had been called to revise the State constitution. Nomination was equivalent to election, since there was no contest for these posts. This was probably just as well, for in Schuylkill County, where Gowen had run far ahead of his tickets ten years before, he now ran just as far behind. Perhaps this experience may have been in his mind when he announced later:

I care more for the welfare of the people than I do for their votes, and I hope God may give me grace to keep the resolution I have formed, that they shall never have an opportunity of testifying, either for or against me, by their votes.⁵

Although excluded from membership on any important committees, Gowen took frequent parts in the debates on the floor. In various discussions he expressed his opposition to prohibition, woman suffrage, and the secret ballot. He advocated open voting on the interesting, but sincere, grounds that an honest count would be assured if every man's vote were publicly recorded. He scoffed at the reply that this would permit businessmen to control their employees' ballots, declared that his company had never interfered with the votes of its workingmen.

⁵ *Debates of the convention to amend the constitution of Pennsylvania: convened at Harrisburg, November 12, 1872; adjourned, November 27, to meet at Philadelphia, January 7, 1873* (Harrisburg: Benjamin Singerly, State Printer, 1873, 9 vols.), I, 405.

Of most concern to him, however, was the action of the convention on the regulation of railroads, which had been one of the principal reasons the people had voted for a revised constitution. America was slowly awakening to the consequences of the industrial revolution which the Civil War had brought about. The railroads, which a few years before had been infants creeping haltingly from one town to a neighbor, had suddenly grown into lusty manhood, spanning half a continent.

At these young giants the people stared in terrified wonder. Communities which had welcomed the arrival of the railroads now began to grumble about the rates they had to pay. There was virtually no statutory check on the rate-making power of the roads, as Gowen had dramatically demonstrated two years before. The restraint furnished by competition was also disappearing through such measures as Gowen's absorption of the Reading's rivals and through rate agreements between competing lines. When a community attempted to escape the grasp of its transportation monopoly, it found its efforts foiled by the economic resources of the corporation. If it turned to the State for protection, it discovered that the political power of the railroads was as great as their financial influence.

Delegates on the floor of the convention openly expressed this growing mistrust of the first of America's big businesses. Judge George W. Woodward, of Philadelphia, declared:

... there is no subject on which so many people in Pennsylvania have spoken to me in connection with this Convention as the subject of restraining corporations. There is a general feeling, in the public mind, of distrust and suspicion and alarm at the growth and magnitude of the power of these corporations. It is believed that they control the legislation of the country, and sometimes it is said that they control the judicial tribunals of the country, and the people of Pennsylvania have been looking to this Convention with a confidence that they feel in no other public body for some protection against the real or imaginary dangers to them and their rights by corporations in general.⁶

All the members of the convention who had any connection with railroads were carefully excluded from the committee appointed to draw up the regulatory provisions. It had the somewhat difficult task of devising restrictions which would protect the people in spite of venal legislatures. In a long and complicated report the committee proposed a number of regulations intended to enforce competition and prevent discrimination.

⁶ *Ibid.*, III, 361.

These provisions were aimed primarily at the two largest corporations in the State, the Pennsylvania Railroad and the Reading. Gowen, however, did not attempt to fight against the entire report. Some of the proposals he specifically indorsed, and he even suggested reforms the committee had not touched. The minority stockholders of a line controlled by another railroad, he declared, should have their rights protected. Corporations should be forbidden to interfere with the government. One step in this direction would be the abolition of the free pass system. The custom had been established of granting passes to all influential politicians in order to secure their support. Gowen was opposed to this not only because it increased the political power of the railroads but also because it had become so widespread that it was costing his company a good deal of money. This ban was subsequently adopted, and Gowen promptly abolished all free passes, except to employees, even before the constitution went into effect.

Some form of government regulation of the railroads was needed, Gowen admitted. In fact, the best solution would be to have the government own and operate them if the day should ever come when the government was as honest and efficient as private management. His concession that the political power of the railroads should be curbed must have startled some of his audience, like Lin Bartholomew, his old associate of the Pottsville Literary Society days, who had declared that the Pennsylvania and the Reading owned the Commonwealth body and breeches. To Gowen, however, there was no inconsistency in his position. He distinguished between honest and dishonest influence. His own lobbying activities, relying on his powers of persuasion, he regarded as perfectly legitimate; the alleged use of bribery by other railroads was the type of corruption he was denouncing.

The prevention of discrimination was another regulation he indorsed. He considered it a short-sighted policy, in fact, for a railroad to discriminate against any of the communities it served, since the road's prosperity depended on theirs. Special rates granted to an individual permitted unfair competition with his rivals. Gowen himself was scrupulously careful that his Coal and Iron Company should be granted no favors by the railroad that were not given to other operators, even though the regulations occasionally worked to the advantage of the Coal and Iron Company. As a railroad man, he knew that some rebates were necessary. He had to grant shippers a rebate on coal shipped to the New York market to permit it to compete with anthracite from the other regions, but all operators got the same discount.

Gowen did not agree, however, with the anti-discrimination provisions drawn up by the committee. The subject of rates, he told the convention, was too complicated to be written into the constitution. His remedy was merely to bar "unjust discrimination," and to allow the courts to enforce the ban. This idea the delegates refused to accept, since the State of Illinois had recently had difficulty with a similar phrase in its constitution, but they did re-write the definition of discrimination in an attempt to make it more workable.

Enforced competition among the railroads also met with Gowen's approval, despite the fact that he had just arranged to end competition in the anthracite industry. His ideas on this subject were probably influenced by his rivalry with the Pennsylvania, which was more likely to be hurt by competition than he was. He supported the provisions guaranteeing the free railroad law and the right of interchange, but he found fault with other proposals of the committee.

Chief among these was the regulation designed to prevent consolidation of railroads. This was inspired by the public alarm over the growing size and power of corporations, but Gowen saw that it was an attempt to stop the march of progress. As businesses grew larger, he told the convention, they reduced their expenses and increased their efficiency. On a recent trip to Florida he had lost two days through the fumbling management of the small southern railroads. Pennsylvania's railroads were the equal of any in the world because they had been allowed to reach an efficient size. A unified railroad system meant lower rates for the public. In Florida he had learned, for example, that he could send a baby alligator back to Philadelphia through the mail for twelve cents, but by express over the different railroads it cost eight dollars.

Gowen was likewise opposed to the ban on mining and manufacturing by railroads. He conceded that railroad officials should be barred from such activity when they might derive unfair profits through their position; in fact, he thought the convention had not gone far enough in restricting corporation officers. Drawing a fine distinction, however, he seemed to believe that the railroad itself would not take unfair advantage of its competitors in mining or manufacturing. His position, he said, was not influenced by his own interests. The Reading could afford to pay five million dollars for the adoption of this section, because it would keep out future competitors.

Although he expressed this opinion to the convention several times, he took no part in the debate when the section came up for consideration. He also kept silent when the section prohibiting mergers of competing

lines was up for consideration. Both of these provisions, however, he pointed out, were in a special class. Other regulations applied equally to all railroads, but these forbade privileges lawfully granted to certain companies. The convention was considering the adoption of a section which would deny the benefit of future legislation to companies which continued to exercise these charter rights. The Reading was to be punished for its lease of the Schuylkill Canal and its mining privileges, which it had acquired in a lawful manner. Such a provision was as dishonest an attempt to evade a legal contract as a repudiation of the State debt. These arguments were unavailing. The convention ratified the section impairing property rights, thus tacitly acknowledging that the conception of these rights which had hitherto prevailed needed to be revised in this post-war world.

With consideration of the railroad article ended, Gowen seemed to feel that his most important work had been done. His business activities were pressing, with the new coal combination and another big loan demanding his attention. Within a month he submitted his resignation from the convention. Preaching the gospel of bigness for American industry was all very well, but it was more important to practice it.

CHAPTER V

DEATH OF THE UNION

Ever since Gowen's high hand had settled the strike of 1871, there had been little trouble between the operators and the union. A few months after the arbitrator had made his award in 1871, the W. B. A. had asked the employers to raise the wages paid to day laborers, and the request was granted without an argument. For 1872 Gowen suggested an even more favorable agreement. To the W. B. A. he explained:

In making the proposition, I do not desire to assume any right whatever to interfere between those whom you represent and their employers. I merely suggest this as a friend of both parties who desires to produce harmony of action and I can say that if the suggestions are acted upon favorably by the workingmen they shall have no reasonable cause to complain of the Philadelphia and Reading Railroad Company in so adjusting tolls and charges for transportation as to give the Schuylkill Region its fair proportion of the Anthracite Coal Trade.¹

Despite the ruinous business in 1872, the operators took heart at the prospects of Gowen's new coal combination, and made no attempt to reduce wages for 1873. The depression which began in the fall of 1873, however, set in motion a general reduction of wages all over the country. The Schuylkill operators asked for a 10 per cent cut in 1874, but the union rejected this proposal on the ground that there had been no reduction in their cost of living. Gowen then suggested as a compromise that the minimum basis be lowered to \$2.25, which would have meant a possible reduction of 8 per cent. The *Miners Journal* assured the workingmen of Gowen's friendliness in an editorial, saying:

In letters to us on matters connected with the road, he has always expressed the warmest sympathy for the interests of the men on all occasions when the subject of wages, &c., has been alluded to. . . . we know that he is anxious to do all he can for the interests of the men, consistent with his duty as President of the company which employs him, and which of course is paramount with him.²

¹Gowen to W. B. A. leaders, Dec. 26, 1871, in *Miners Journal*, June 18, 1872.

²Jan. 15, 1874.

Nevertheless, the employees at several Coal and Iron collieries, suspecting that they were producing coal to be sold during a strike, stopped work two days before the expiration of their contract. Gowen at once wired an order shutting down all the collieries, and announced a reduction in freight rates on Lehigh coal to Philadelphia to emphasize that a strike in the Schuylkill field would only benefit the other regions. The *Reading Eagle* contributed to the excitement by printing an unlikely rumor from Philadelphia that the English stockholders were urging Gowen to import strikebreakers from Europe, and the *Miners Journal* scoffed: "... if there were truth in it, the Coroner of Schuylkill county wouldn't complain of dull times."⁸

The operators, however, were not anxious to force a strike at this time. Despite the recession in the last months of 1873, the coal combination was expected to maintain prices during 1874, and thus there was no urgent need for cutting production costs. Moreover, there was not enough surplus coal on hand to last through a long stoppage. With Gowen's approval, therefore, they extended the old contract for another year.

The end of 1874 found them better prepared for action. To eliminate the need for his makeshift controls of production, Gowen organized the operators as the Schuylkill Coal Exchange. This body agreed to restrict the amount of coal shipped to the line and city trade in much the same manner as the combination limited that sent to seaboard. Since the operators had progressed so far in unity that they were at last willing to sign an agreement to control their own production, the only useful function of the union had been ended, as far as they were concerned.

The miners might also have thought it ominous that Gowen announced a plan to take over another function of the W. B. A. He had previously proposed a plan whereby the Coal and Iron employees and the company would contribute equally to a fund to pay death and accident benefits to the workingmen, but the union had looked on the idea suspiciously. He now announced that he would put into effect on January 1 a benefit system supported entirely by the company, the first such system ever set up in the anthracite industry. This was a noteworthy step along the road to workmen's compensation, but the men might have regarded it in a more kindly light if they had not feared that it was a blow aimed against their union.

By late fall it was common knowledge that the operators intended to precipitate a strike. The word was passed around to the coal dealers

⁸ Jan. 21, 1874.

to lay in a stock of coal before January. The Coal and Iron Company heaped high its Richmond wharves and its retail yards. When all preparations had been made, the operators in each region issued their new wage scales. The terms proposed were shockingly severe. In the Lehigh field laborers were to be cut 10 per cent and miners 15. In the Schuylkill district the reduction was even greater, 10 per cent for laborers and 20 for miners. Moreover, the minimum basis was to be abolished, and the men were to be cut another 1 per cent for every three cents coal fell below \$2.50. Either of these proposals alone might have been acceptable, but the suggested double cut was so harsh that even the *Miners Journal* conceded: "We have no hesitation in saying that these wages are too low for mining."⁴

It was obvious that the operators were determined to destroy the union. They knew that no labor leader would dare to advise his men to accept such terms, and that a strike was therefore inevitable. United as they now were by their own self-interest and by Gowen's forceful will, the operators felt confident that such a strike could have only one outcome. They made their attitude clear by declaring that they had no intention of negotiating with the union on wages; their offer was a flat statement of what they intended to pay, and the men could take it or leave it. Although Gowen himself was reported to have had no part in deciding the new wage scales, it was no secret that he was supporting the operators unreservedly. Privately he informed old Ben Bannan that no compromise would be made with the union if the mines were shut down for two years.

As was expected, the miners in the Schuylkill and Lehigh regions, where the organization was strongest, promptly rejected their employers' terms. After a month's delay the Wilkes-Barre district followed, calling on those who had accepted the reduction to join the strike. In the Pittston and Scranton areas, where the miners had abandoned the W. B. A. after the strike of 1871, they took a 10 per cent cut and continued at work.

The men fully realized that the existence of the union hung on the outcome of the struggle. A leader of the Miners' and Laborers' Benevolent Association, as the organization had now come to be known, told a Philadelphia *Times* reporter: "This is not a war on the part of the company against the price of coal; it is directly against our organization."⁵ A man in Mahanoy City wrote: "It is well-known that the coal

⁴ Jan. 4, 1875.

⁵ *Miners Journal*, Apr. 3, 1875.

market can afford to pay last year's prices, but it seems that the wages question is not the trouble, but the disbanding of the M. & L. B. A."⁶

The Philadelphia *Press*, on the other side of the fence, expressed its confidence that the operators would not resume work until the Union had been destroyed. The *Miners Journal* evaded the issue of the continued existence of the union by pretending that it was merely a society to provide sick and death benefits to its members. It said that Gowen's Coal and Iron Company "is not even inimical to the W. B. A., which has declared itself to be such a bitter enemy of the company. It has no intention of breaking up that organization, but would like to work in harmony with it in the beneficial part of its work."⁷

The first six weeks of the strike drifted on peacefully; little work was usually done in these winter months anyhow. There was some grumbling because the non-union men sinking Gowen's shafts to the Mammoth Vein north of Pottsville continued at work. Late one Saturday night the frame work of one of the shafts was destroyed by fire. Gowen promptly blazoned a \$10,000 reward in the local papers for the arrest and conviction of the persons who had set the fire, and offered to protect the informant, as if the union had set up a reign of terror in the county. Two other fires broke out at Gowen's "Big Hole in the Ground" a few days later, lending credence to his theory that disgruntled strikers were responsible. The Executive Board of the W. B. A. declared its willingness to join in ferreting out the incendiaries, if there were any, but insisted that the fires had more likely been accidental. Gowen, it charged, was offering the reward only to stir up sentiment against the miners.

Meanwhile Gowen was complicating the strike for the newspapermen by dismissing members of a newly formed organization among the railroad maintenance workers. This Mechanics' and Workingmen's Benevolent Association thereupon sought an alliance with the Miners' and Laborers' Benevolent Association, which had formerly been the Workingmen's Benevolent Association, thus leading to such hopeless confusion among M. & W. B. A., M. & L. B. A., and W. B. A. for the correspondents that their dispatches were often unintelligible outside Schuylkill County.

Gradually as time went on, a little light began to filter upon this obscure dispute. A committee of the M. & W. B. A., it seemed, had called on a Reading official, and asked for a restoration of the 10 per cent cut taken off wages in the fall of 1874. The leader of the committee,

⁶ *Miners Journal*, Mar. 30, 1875.

⁷ Apr. 2, 1875.

so the *Miners Journal* reported, was a worthless fellow, whom the company had been compelled to discharge on account of his bad conduct. The official ordered this leader out of his office, and told the other delegates that he would consider their claims as individuals, and bring the matter to Gowen's attention. A confidential report to Gowen that the M. & W. B. A. planned to call a strike as soon as the mine controversy was settled caused him to order on March 20 that all union members be suspended from employment until they had given up their membership.

The *Miners Journal* stated its opinion :

From all we can learn it seems to be the determination of the Railroad Company to abolish utterly trade unionism from its works. This is hard on the members of the different associations, but a moment's reflection will convince them that this is the only safe policy for the company. It will not do to have so important and withal so dangerous an enterprise as a railroad in the hands of conflicting forces.⁸

The newspaper, however, was in advance of Gowen's policy. He was letting alone the Brotherhood of Locomotive Engineers and other railroad organizations, at least for the present. Gowen did not object to railroad unions until they claimed the right to strike, and thus interfered with the operation of the trains.

The dismissed railroad workers took their grievances to the M. & L. B. A.'s Executive Board, which joined heartily in condemning Gowen for this new act of tyranny. The two unions also agreed to exchange membership cards, and the railroad union set an initiation fee of \$50 for members who had mined coal without joining the M. & L. B. A. At the same time the Schuylkill miners demonstrated their spirit by demanding an increase of 8 per cent, unless the strike was settled by March 1.

Meanwhile the union had inspired the legislature at Harrisburg to take an interest in the strike. The Philadelphia coal dealers, eager to strike back at Gowen, joined hands, and helped to circulate petitions calling for an investigation. The petitions charged that the smuggling of the Laurel Run bill through the legislature had violated the constitution, and that the Reading had entered into a conspiracy to control the production and transportation of anthracite. It was a sign of Gowen's place in the public eye that his company, alone of the six anthracite corporations, was singled out for investigation.

The M. & L. B. A. took further political action by calling an Anti-Monopoly convention to meet in Harrisburg in March. The gathering

⁸ Mar. 25, 1875.

which assembled in Harrisburg's Odd Fellows Hall on March 2 was a bizarre mingling of labor leaders, paper money advocates, and reformers. The Philadelphia retail coal dealers, still resentful of Gowen's competition, attended and contributed \$10 toward the expenses. Miners and iron puddlers from Allegheny County, along with delegates from Blair, Bradford, and Tioga counties, represented the rising unrest of labor. The convention was controlled, however, by the M. & L. B. A. The 250 delegates protested righteously against railroad monopolies and Gowen's dismissal of his union employees, and also against land grants to the western railroads and against national banks. The Philadelphia coal men were probably a trifle disconcerted by the company they were keeping; they were opposed only to monopolies managed by Gowen and were not used to sitting side by side with labor leaders. The convention planned a national organization, which resulted in the Greenback-Labor movement a year later; in a way, Gowen was the unwitting beggetter of the new party. The convention also served a more immediate purpose by shoving the legislature a step ahead in its move to investigate the Reading.

The public might have been more concerned about the strike if it had created a scarcity of coal. Gowen and his fellow-operators, however, had shown shrewd foresight by piling up a supply of coal almost sufficient to last out the winter. Gowen had made another bid for popular support by cutting the price of coal fifty cents a ton as soon as the strike began, instead of raising it as his enemies had expected. With the Scranton companies at work, the New York market was supplied without interruption. The Schuylkill Valley and Philadelphia were inconvenienced more because their coal came from the Lehigh and Schuylkill regions, where the strike was nearly complete. Iron furnaces were reported shut down by the end of February, and anthracite became hard to get in some sections of Philadelphia late in April, but warm weather had already set in by then.

It was difficult for the public to form an opinion on the rights and wrongs of the strike. It was never given any clear idea of the nature of the cut the miners had been asked to take; the striking railroaders were confused with the striking miners. The New York *Tribune* topped the confusion by headlining a report of an outbreak in a strike in the soft coal fields near Huntingdon as a "Reign of Terror in the Lehigh Region," and its Philadelphia correspondent had to lecture it on Pennsylvania geography.

Despite the lack of accurate information, not all newspaper editorialists followed their usual practice of condemning every strike on general

principles. Chiefly because Gowen's monopolistic practices had aroused considerable public opposition, a number of papers supported the strikers. The New York *Graphic* commented:

It is simply wonderful that in a democratic country, where the great bulk of the people enjoy perfect freedom, those rich Pennsylvania corporations should insist upon charging what they please . . . and that whenever trouble arises they should throw all the burden upon the workingmen in their employ. . . .⁹

The Harrisburg *Patriot* also justified the miners by saying:

The miners' union, pernicious and arbitrary as are many of its rules, is necessary to defend them against monopoly. It enables or greatly assists them to obtain their share of the profits that are paid by the consumers. They might with as much reason and justice ask the Reading Coal and Iron Company to abandon its own organization in their behalf.¹⁰

Other journals spoke more angrily. The Scranton *Times* said:

The monopolists in coal seem to have learned a lesson from their brethren, the monopolists of stocks, and after putting the price of coal as high as they seemed to think the consumer would bear, they have turned their attention to the other end of the screw, and propose to still further enhance their profits by gathering from the laborer as well as the consumer. . . . The combination with one hand reaches for the pockets of the consumers, and with the other for the throats of the laborers, and while it sits serenely gathering in the profits, like Tweed, in his palmy days, it wants to know "what are you going to do about it?"¹¹

The Newark *Daily Journal* declared the operators wanted to reduce wages because the miners had "'saved money,' which to be sure is an unheard of thing, and an atrocity to be put down at once. Men with money in their pockets are the most restless of slaves."¹²

After two months of idleness, however, the miners' pockets were beginning to get empty. Some of the weaker souls straggled back to work, angering the strikers. Despite the union leaders' efforts to prevent violence, mass action began in the Lehigh region. On the evening of March 9, a New York *Tribune* correspondent reported, a hundred

⁹ Quoted in Harrisburg *Patriot*, May 18, 1875.

¹⁰ Harrisburg *Patriot*, Apr. 17, 1875.

¹¹ Quoted in Harrisburg *Patriot*, Apr. 22, 1875.

¹² *Ibid.*, Apr. 20, 1875.

"Molly Maguires," all armed and masked, passed through Ashton, near Summit Hill, warning "blacklegs" to quit work; three nights later he reported a similar mob in Coaldale. To protect its property, the Lehigh and Wilkes-Barre Coal Company sent a dozen special policemen, who were promptly disarmed by another group of miners on March 29. The next day men from Audenried, near Hazleton, set out to stop others who had gone back to work, but their priest talked them into going home. Another parade on March 31 made the third successive day of demonstration around Hazleton.

At the same time the striking railroaders in Schuylkill County resorted to forcible measures. Gowen had sent out men from Reading to replace the strikers under the protection of thirty-five policemen. Groups gathered around their quarters in Ashland and suggested that it would be a good idea for them to quit. When this proved ineffective, the railroad men with the aid of the miners put on a parade on March 31. The Hecksherville miners took over the coal trains and rode them into town for the demonstration. The parade ended abruptly when a cannon blew up in the act of firing a salute, but the mob which was waiting for the strike-breakers when they returned to their boarding house made them decide to go back to Reading. This was only a temporary victory. A few days later they returned to work, avoiding incidents by commuting to Reading, and both the strike and the M. & W. B. A. died quietly.

These demonstrations, however, were viewed with alarm by the citizens of property. The *Miners Journal* commented: "Affairs are getting warm in old Schuylkill, and it begins to look very much as if the Governor will have to be called on to order out troops."¹⁸ Influential men among the miners, on the other hand, insisted that there would be no outbreaks, and that the occasional disturbances were due to drunkenness. The M. & L. B. A. had kept its members well in hand; in fact, the union had not been directly involved in the only instance of mass action so far reported in Schuylkill County.

There had, however, been incidents which suggested individual reprisals against the Reading. The telegraph office at Locust Summit was destroyed by fire, rebuilt, and burnt again. A number of loaded coal cars standing on the sidings were dumped on different nights. One train was set rolling down the grade and wrecked, and a locomotive was derailed by a spiked switch. Several strangers hanging around two Coal and Iron collieries threatened to set fire to the breakers if the company did not soon start to work. At two independent collieries, where the men had accepted the operators' terms, there were posted crudely scrawled

¹⁸ Apr. 1, 1875.

notices: "Now men I have warented ye before and i willnt warind you no mor—but I will gwrintee yo the will be the report of the revolver."¹⁴

The M. & L. B. A. tried to restrain its members from these acts of violence. The union even offered a reward for the arrest and conviction of the persons who had posted the threatening notices against non-strikers. Nevertheless, it was clear that the men were beginning to get out of control. Such attacks on property had been infrequent in earlier strikes, perhaps because the men had on previous occasions known that the union was too strong for the individual operators; now they were beginning to realize the hopelessness of a struggle against the anthracite combination when it was headed by the relentless Gowen. The union, which had kept the peace in Schuylkill County for seven years, could no longer restrain them. Gathering in angry groups, they stole out by night to burn buildings and wreck trains, perhaps in the futile hope that Gowen might be forced into surrender, perhaps only in bitter resentment.

These actions alone were considered merely individual crimes, which were to be left in the hands of local authorities. The demonstrations which had taken place around Hazleton and Ashland in the last days of March, however, were riotous, and the county sheriff could request troops from the governor if he thought they were needed. The Schuylkill sheriff issued a proclamation calling for law and order, which was promptly complied with. Although the Hazleton disturbances had been no more serious than those in Schuylkill County, the Luzerne sheriff, resting comfortably in Wilkes-Barre, decided that the situation had got out of his hands, and on April 7 asked Governor Hartranft to send troops to keep the peace.

The governor thereupon dispatched five hundred state militia to Hazleton, and unexpectedly found himself in the middle of a controversy. Public opinion in the region was sharply divided on the need of troops. According to one report, a meeting called by friends of the demonstrators was taken over by a group favoring the operators, who passed resolutions condemning the demonstrations. The New York *Tribune's* correspondent reported that men had refused to serve on a sheriff's posse; the *Herald's* man said the disturbance had been imaginary. Two correspondents of the Harrisburg *Patriot* claimed the arrival of the militia had been denounced by citizens of all classes; one added the rumor that a Hazleton man had sold the miners eight hundred condemned muskets, which was probably exaggerated by 799. The president of the union in

¹⁴ *Argument of Franklin B. Gowen, Esq., before the Joint Committee of the Legislature . . . July 29th and 30th, 1875 . . .* (Philadelphia, 1875), pp. 102, 110.

the Lehigh district charged that the operators had asked for the troops to awe the laborers into submission. Criticism was tinged with politics. The Republican papers in Luzerne County blamed the Democratic sheriff; Democratic papers blamed the Republican governor. A Hazleton delegation called on Hartranft and asked him to withdraw the troops. The governor neatly ducked the responsibility by asking the sheriff to investigate. Meanwhile the soldiers stayed on, preserving the peace, and incidentally preventing interference by the strikers with any back-to-work movement.

The M. & L. B. A. still saw a faint prospect of victory if the Scranton regions could be induced to stop work; a coal shortage might result in government interference to settle the strike. The employees of the three Scranton companies had accepted their 10 per cent cut in January only because they saw a prospect of full-time work with the other regions out. Without any effective organization other than the new Miners' National Association, organized by John Siney the previous year, which had enrolled not more than one-fourth of the Scranton workers, they were in poor position to make a fight. Wage disputes broke out, nevertheless. The Delaware and Hudson men tried a brief strike on March 21, which ended in four days. Delegates from the southern fields stirred the Lackawanna miners to ask for a restoration of their 10 per cent cut on April 7. When this demand was refused, they met to decide whether or not to strike, and voted 5-to-1 to remain at work.

This ended the last hope of making the strike general. The Scranton men, however, continued to contribute to the relief fund for the strikers. Even with this help, the union treasury was running low. The miners had used up their own savings, and the storekeepers were beginning to shake their heads at requests for more credit. The union sent delegates to Philadelphia and New York to solicit funds, but the pitiful sums they could raise did not go far to support the strikers. According to one sympathetic historian, hundreds of families were down to their last crust and kept from starvation only by finding roots and plants in the woods.

A group of 250 men on May 10 stopped work at one of the Schuylkill collieries which had been operating through the strike, but that did not help to fill the empty stomachs. The leaders of the M. & L. B. A. realized that if they could not obtain some kind of settlement, the union would collapse. The general council had already asked on April 21 for arbitration, the cure-all so ardently advocated by the operators in 1871, but the employers ignored this suggestion. Finally, on May 14, a committee of the Schuylkill operators agreed to meet representatives of the union.

The M. & L. B. A. proposed a striking innovation; the abolition of both the sliding scale and contract work. They suggested that the miners be paid a flat rate of \$15 for a week of six 8-hour days. This apparently startled the operators so much that they showed their first sign of conciliation and agreed to report the proposal to their organization. A week later, however, the Coal Exchange met in Philadelphia and formally rejected the offer on the altruistic grounds that their own proposals would give a skilled miner twenty to thirty dollars a week. Besides, they said, it was impractical to pay miners by the day.

As more men were drifting back to work, a group of miners planned again to try direct action. On June 2 miners from Shenandoah and nearby towns gathered at Number Three Hill for a labor picnic. The word was out that there was to be a big parade the following day, and the miners slept out on the hillsides that night, their slumbers probably made easier by the alcoholic celebrations of the day. The next morning, as they straggled into line behind a drum corps, the sheriff rode up and asked what was going on. The reply, "Only a bit of a parade," satisfied the sheriff, and he left.

The procession of seven hundred men started off on its way to Mahanoy City. At West Shenandoah Colliery they stopped to persuade the men at work there to quit. Twenty special policemen with repeating rifles ordered them back. In the forefront of the mob was a wild-looking Irishman, known in Shenandoah as James McKenna, an idle, drunken rascal. He carried a large hickory club, and beneath his long, patched, gray coat he had two revolvers tucked in his belt. At his side was his bulldog, looking as tough as its master. Belying his appearance, however, McKenna urged caution on his comrades, and the parade moved on.

At three other collieries they met with more success in persuading the men to stop work. The sheriff reappeared, but was shouted down when he tried to halt the procession. When they arrived in Mahanoy City, they found that several hundred other miners from Hazleton were already there and had closed down half a dozen mines. Since one of the Hazleton men had got himself into jail, they marched to the burgess, paid the fine, and had the prisoner released. With a thousand visiting miners in town, the merchants closed up their stores. The engineer at one of the collieries, to add to the din, tied his whistle down and went home. At Little Drift Colliery, the sheriff, having collected a posse, tried once again to stop the mob. While he was reading the riot act, one of the posse got excited and fired at the miners. At that the mob rushed forward, and bullets and stones flew through the air. Fortunately, marks-

manship on both sides was poor; no one was killed, and only a few hurt.

After this set-to the paraders marched back to Shenandoah. The disgruntled sheriff asked the governor for the militia, and the arrival of the troops prevented further demonstrations, if the miners had contemplated any. All the collieries which had been closed went back to work the following day.

The union leaders were still making a desperate effort to preserve their organization. Meeting at Pottsville on June 8, the Executive Board planned an appeal to Gowen for a compromise. Seeing the story of this action in the newspapers next morning, Gowen sat down and wrote a cold letter to John F. Welsh, the union president:

I notice by the newspaper reports of the proceedings of your Association at Pottsville yesterday, that a committee of which you are a member, was appointed to confer with me about tolls, price of coal &c., and to inquire whether it is not possible to make some compromise upon the rate of wages. I have of course, no further information than that contained in the newspapers, and assuming it to be true, I think it is my duty to the workmen to protest against the use of my name for the purpose of prolonging the strike. I am not a member of the committee of the Coal Exchange, appointed to take charge of the subject of wages, and therefore, I cannot consent to have any conference whatever with your Association upon that question.

I understand that the proper committee of the Coal Exchange has determined to make no compromise whatever, and that you have been duly notified of that fact.

I must also decline to have any conference with your Association upon the question of tolls, or of the price of coal; whilst recognizing the right of your society to take any proper part in the adjustment of the rate of wages to be paid to its members, I must deny its authority to interfere in any manner in the establishment of the rate of freight and tolls to be charged by this company, or in determining the price of coal.

I will publish this letter, so that there may be no misunderstanding on the part of anyone on the subject, and while it is not my intention to show disrespect to your society, I think it is due to the members of the Association, that I should say that apart from the general reasons above given, my own sense of self respect forbids me having any personal intercourse whatever, with either you, or Mr. C. B. Johnson.¹⁵

With this door to a compromise slammed in their faces, the union's wage committee issued an eloquent plea for concession from the Coal

¹⁵ *Miners Journal*, June 10, 1875.

Exchange. Admitting that some of the miners had surrendered, they claimed that more than half were still ready to hold out indefinitely against the terms proposed in January, but would accept a less severe cut. They asked, in effect, for some token concession from the operators that the principle of negotiation might be preserved. In the light of Gowen's attitude, they even offered to withdraw from the committee any member who might be objectionable. On June 12 the group met in Shenandoah to negotiate with the operators, but none appeared.

Two days later the Executive Board conceded its defeat, but it went down with all guns firing. A circular proclaimed:

BROTHERS: For now more than five long months you have struggled with a courageous determination almost unprecedented against the enforcement of a most unjust edict, issued, it is true, in the name of the operators of the Schuylkill region, but inspired and upheld almost exclusively by the half dozen well-known Autocrats of these anthracite coal fields. The acceptance of that edict by the Union as a whole would have put it in the power of your employers with the aid of a sliding scale to from time to time reduce your wages to almost any figure they saw fit and at which you could be compelled by circumstances to sell them your labor. . . . Indeed, as we are reliably informed, they had never once, since the beginning of the contest, taken the trouble to call the members of the Coal Exchange together to consider our compromise overtures; but after consulting with the King of the ring, they had taken it upon themselves to respond to each and all of them with contemptuous silence or shameful misrepresentation of facts. . . .

And now Mr. Gowen and the operators of Schuylkill c. have the satisfaction of knowing that as a county organization we can continue the fight no longer, that the keen pangs of hunger have driven the more unfortunate of our number into a reluctant acceptance of terms, which, under other circumstances, they could never have been induced to accept. This fact, and our knowledge that others who have not yet yielded will soon be compelled to, and from the same cause, have determined us upon thus publicly recognizing the necessity of putting back into your hands the privilege of breaking the deadlock as Union Men. You are hereby authorized, therefore—not as an organization, to bind yourselves for any length of time to the unfair terms of the Coal Exchange's proposition—but to accept the situation "under protest," each branch to have the right to resume under the law of the Union at its pleasure, and upon the best terms that can be secured.¹⁶

Before another week had passed, all the Schuylkill men had gone back to work and the militia went home. The employees of the Lehigh and

¹⁶ *Miners Journal*, June 17, 1875.

Wilkes-Barre Coal Company, controlled by the Central Railroad of New Jersey, maintained the principle of negotiation by signing a contract, but they gained no concession on wages. Charles Parrish, president of the company, who was a liberal businessman for his times, and had even helped to feed the striking miners, agreed to take back the strike leaders, who had been denied employment by the local superintendents. This was more than Gowen would do; John Welsh was blacklisted for years afterwards, although he finally died as a faithful employee of the Coal and Iron Company.

Elsewhere the men simply went back to work without a contract, as they had in the old days before the W. B. A. By July 1, 1875, the "long strike" was over. Although there was resolution to preserve the union at first, interest gradually died. Debts piled up, as dues went unpaid. Several months later President Welsh issued a final appeal to the members to return to the fold, but it went unheard. An unknown miner sang the union's obituary:

Well, we've been beaten, beaten all to smash,
And now, sir, we've begun to feel the lash,
As wielded by a gigantic corporation,
Which runs the commonwealth and ruins the nation.
Our "Union" lamp, friend John, no longer shineth;
It's gone up where the gentle woodbine twineth;
A great man demonstrated beyond a doubt
The miners would better fare without
Any such thing; trade unions were a curse
Upon God's fair creation, nothing worse.
It died, because the miners did neglect it;
And he declares they shall not resurrect it.¹⁷

Although the miners then and historians since have united in blaming Gowen for plotting the destruction of the W. B. A., there is no evidence that he had so intended. It appears likely that he was not responsible for the harsh wage terms; it was said that he had never seen them until after they were drawn up. His only public action during the entire strike was his letter of June 9, refusing to be drawn into the contest. It cannot be doubted, of course, that his grim determination to hold out for two years, if necessary, was an important factor in keeping the individual operators in line, but in that he was only standing by his own organization as the miners stood by theirs.

¹⁷ George Korson, *Minstrels of the Mine Patch* (University of Pennsylvania Press, Philadelphia, 1938), p. 226.

Gowen's attitude towards the union had been guided always by what he conceived to be the interests of his company. In 1870 he had interceded to settle a strike in order to help the Reading's business; in 1871 he had interfered to prevent a settlement because he felt the settlement would have made the price of coal too high and injured the Reading's business. If by 1875 he had decided the W. B. A. was hindering his company's prosperity, he would unquestionably have destroyed it. Since he gave no sign of having reached such a conclusion—at the very end of the strike he was willing to concede the union's right to negotiate for its members—it is safe to say that it was the individual operators, rather than Gowen, who were responsible for crushing the W. B. A. Moreover, he always continued to show the solicitude for his employees as individuals that he had first demonstrated at the Mount Laffee collieries in 1859. He never permitted company stores and ordered an investigation of every charge of unfairness among bosses. The worst that could be said of him was that he expected of his employees the same unswerving loyalty to the company which he gave himself.

His intentions, however, were beside the point. The significant fact was that the miners blamed him for the strike, and for years the workmen of Schuylkill County would not mention his name without a curse. It was ironical that Gowen, who sixteen years before had been so insistent on the welfare of his employees, had now become so bitterly hated by the men who worked for him. He had demonstrated once more that, along with his remarkable talent for making friends, he had an equally remarkable talent for making enemies.

CHAPTER VI

ATTORNEY FOR THE DEFENSE

Meanwhile the legislature had proceeded in its deliberate way to authorize the investigation of the Reading which the union had demanded. The Philadelphia coal dealers had sent representatives to Harrisburg to stimulate the assembly into action. Doubtless, Gowen was engaged in counter-lobbying, but his influence could not suppress the investigation. When the resolution creating a joint committee to look into his actions reached the governor, Gowen took his first public action against the measure by sending his brother James and two fellow counsel to Harrisburg to argue the governor out of signing the measure on the grounds that it was unconstitutional, but Hartranft was unmoved by their pleas of technicalities. When the committee met for the first time on April 21, Gowen himself tried to convince it that it was unconstitutional. The committee refused to be talked out of existence, but did agree to adjourn for two weeks.

By the time it met again on May 5, the union was breathing its last gasps and was too weak to take any part in the investigation. Since the committee itself maintained a benevolent neutrality, the Philadelphia coal dealers were left to carry on their fight against Gowen unaided. The reluctance with which some of them contributed to the fund for the prosecution gave their two lawyers, John Q. Lane and Silas W. Pettit, a late start in preparing their case. Since the attorneys had little previous knowledge of the coal business, this was a decided handicap for them in battling Gowen's experience.

Unfortunately for their prospects, the coal dealers presented almost no evidence on the charges which the committee was supposed to examine, the unconstitutionality of the Coal and Iron Company's charter and the conspiracy to control the price of coal. They were interested primarily in their own grievances, the long delays in the delivery of their coal and the short weight they received. Eighteen coal dealers took the stand one after another to recite their complaints.

As each witness told of the way in which the Reading had injured his business, Gowen pinned him down to specific instances. Since the coal dealers had to rely on their memory for the most part, frequently they could not be exact. A man who said he had seen cars weighed carelessly, for example, could not remember just when this had oc-

curred. Most of them knew they had had trouble in getting coal delivered when they had ordered it, but only a few had kept a record of these delays. While some dealers had weighed an occasional shipment and found the weights short, none of them had accurate records of the tonnage of coal received and the tonnage sold, which would have revealed whether their shipments were consistently short.

The result of this close cross-examination was to make many of the charges seem vague. Whenever a witness was able to give a specific instance, Gowen set his clerks to work, checking the company's records. Lights burned late at night in the Reading offices as the clerks prepared long tabulations to refute the coal dealers' accusations. When a retailer testified that he had been given short weight, Gowen hired people to buy coal from him and have the weights verified by a public weigher to test his scales.

Usually Gowen was courtesy personified, confident of his ability to vindicate his actions. Occasionally, however, when a witness was especially bitter against the company, Gowen bore down on him with witty sarcasm. Sometimes his wit was turned against him. One man spoke derisively of the "pomp and pageantry" of the company's office, saying that he had been ushered in by "a gentleman in livery." Gowen asked him ironically, "Were you obliged to prostrate yourself or to go through any genuflections before you were admitted?"

"I have no doubt they would have liked me to," the witness replied.

"Was there any harem there—anything of that kind?" Gowen continued.

"I do not know what they had in the back rooms," returned the defiant witness.

"Now say whether that gentleman in livery was not a porter who wore a cap and a blue coat with brass buttons?"

"If my recollection serves me right, I have a faint recollection that there was something brassy about him, but whether it was his buttons or not I cannot say."

"Perhaps you saw your own face reflected?"

"No; and if it had not been for your absence, I might have done."¹

Following the coal dealers, the factors told their story of the meeting on December 21, 1872, when Gowen had threatened to get ugly. A few operators reluctantly gave some details about the coal combination, but made it clear that they considered the organization beneficial. The Reading employees who were subpoenaed were of no more help to the

¹ *Pa. Legislative Documents, 1876, IV, 541.*

prosecution; they all agreed that there had been no discrimination against anyone.

When it became his turn to present evidence, Gowen quickly overwhelmed the opposition. He produced a tabulation showing that the coal dealers who had complained about delays in delivery were on the average receiving their coal more quickly than they had in previous years when they had made no complaints. Turning to the question of short weights, he gave the exact figures for the tonnage of coal received at Richmond and the tonnage shipped out, and similar figures for the Coal and Iron Company's retail yards. In every instance the total sold, including dust and slate, was more than the total received, according to the railroad weights, indicating that the retailers were getting long weights, rather than short.

Contrasted with the vague statements of the coal dealers, whose specific claims of shortages had totaled only some twenty tons, this evidence alone would have been enough to refute them, but Gowen now produced the results of his test of the dealers' scales. One after the other he put on the stand the purchasers of twenty-five tons of coal from the retailers, and the men who had done the weighing. In each case the coal had been dumped into an empty bin, then gathered into bags and put on the scales. As some of the coal was inevitably lost in the process, it was not surprising that every one of the twenty-five tons was short in weight. In about half of the cases, however, the shortage was large enough to indicate that the dealer was at fault. None of this evidence had any actual bearing on the investigation; if the retailers' scales weighed light, it would prove only that the shortages given them by the railroad had been even larger than they had claimed. Nevertheless, it was a shrewd counter-attack, throwing doubts on the honesty of the coal dealers and therefore damaging their case.

During the course of the testimony Gowen had already had the committee on an instructive little junket through the coal region, learning the facts of the anthracite industry. Now he suggested that they seek relief from the hot weather of mid-July by adjourning to Atlantic City where they might be cooled by the ocean breeze while listening to the arguments of counsel. There Messrs. Lane and Pettit attempted to retrieve their lost case by returning to the original purpose of the investigation.

They argued that the act chartering the Laurel Run Improvement Company had violated an amendment to the state constitution adopted in 1864, declaring: "No bill shall be passed by the Legislature containing more than one subject, which shall be clearly expressed in the title,

except appropriation bills." The clause of the act which authorized the Reading to hold stock in the company, the lawyers held, constituted a second subject, and accomplished a purpose which was not mentioned in the title of the act. The legislature, they declared, should therefore either repeal the charter of the Coal and Iron Company or direct the Attorney General to file suit for its surrender.

Messrs. Lane and Pettit also tried to prove that the coal combination, the existence of which Gowen had freely admitted, constituted an illegal restraint on trade. They cited figures to show that the coal companies had made an extra profit of \$57,000,000 by maintaining prices. They claimed that the Coal and Iron Company was collecting fifty cents a ton for selling the coal in the operators' pool instead of the ten cents which had been promised when the pool was organized. The charges that the coal dealers had been injured by short weights and car detentions were reiterated.

The two lawyers had learned a great deal about the coal business since they had undertaken the case three months before. Their argument was ably presented, but, even though they outnumbered Gowen, they were still no match for him. He talked to the committee for two days, giving his own version of the history of the coal trade since 1870. The Reading, he declared, had been forced into buying anthracite lands by the policy of the legislature, which had granted this privilege to all the rival corporations. The Laurel Run charter had been obtained secretly to prevent competitors from interfering. "If our friends on the other side," said Gowen, "suppose that we manage our large business in such a manner as to notify our adversaries of our intentions, for the purpose of enabling them to defeat the objects we have in view, they have formed a very low estimate of the capacity of the gentlemen who have been placed in charge of the Reading railroad company, and I am glad to be able to tell them that I do not think we are as dumb as we look."²

He appealed to the state patriotism of the committee by pointing out that the Reading was exclusively a Pennsylvania corporation and that it shipped its coal to Philadelphia while all its rivals shipped to New York City. Then he turned to a justification of the policy of permitting the railroads to own the coal lands. Only the railroads, he said, would find it worthwhile to invest the large sums of money necessary to develop the coal regions. Foreshadowing the philosophy of later businessmen, he pointed out that enlightened self-interest would cause the Reading to keep its prices low, and, moreover, a large corporation

² *Pa. Legislative Documents, 1876, IV, 1037.*

needed to conciliate public opinion far more than did individuals. All the outcry about the huge powers granted to corporations was therefore unjustified. Speaking of these complaints, he said: "I have been subjected for some years to the humiliation of occupying a position in which I am forced to infer that almost every man who comes to see me supposes I am a monster and an oppressor. I endeavor to control my temper as well as I can; and whenever I can find somebody to take my place I shall be happy to go back to practicing law, and to get into some decent business again. Whenever a corporation makes a proposition to any set of men, they invariably suppose you are going to cheat them, and there is something terrible back of it."⁸

Passing on to the factors, he declared that they had extracted as much as forty cents a ton from the operators for their services. His famous remark that he might "get ugly," he laughed off by saying that he was referring to his personal appearance. He pointed to the cooperatives, organized by the New York dairy farmers, as the ideal method for distributing goods to the consumer, and declared that by likewise eliminating the middlemen he had reduced selling costs. In the same way the retail yards had been established to lower the price to the consumer, as well as to provide facilities for storing large quantities of coal. The size of his yards was enabling him to do business with smaller overhead expenses, and he advised the retailers to compete with him by opening larger yards themselves.

Turning from his account of the coal trade to the specific charges raised during the investigation, he found himself on shaky ground in arguing the constitutionality of the Laurel Run charter. Since the manner of obtaining the charter had clearly violated the intent of the constitutional amendment, which was designed to prevent smuggling legislation through the assembly, Gowen had to summon all his skill to his defense. Moreover, the surprise move of the opposition in bringing up the point for the first time the previous day had caught him unprepared, and he had had to wire hastily to Philadelphia for legal authorities. Gowen's Philadelphia lawyers were able to turn up four cases in which the courts had ruled that acts containing provisions not clearly implied in their titles were constitutional. In each instance, however, the debated provisions were closely related to the titles of the acts, while the Laurel Run bill had contained no indication whatever that it was intended to give the Reading Railroad the power to mine coal. For once Gowen had been caught in a legal nap.

⁸ *Pa. Legislative Documents, 1876, IV, 1047.*

Nevertheless, he managed to throw a cloak of confusion over the point. He told the committee:

... does not the power of the coal and iron company to do something necessarily imply that the person with whom they are to do it is to have the power to deal with them? The charter declares that the coal and iron company shall have the power to buy the coal lands of any corporation.

Would this power have been rendered void by adding the words "and any other corporation shall have power to sell its lands to them"? Such words could be treated as surplusages. If the act had simply said "the coal and iron company shall have the power to sell its stock to any other railroad company," it would have been all that was necessary, and that would have been a direct grant of power to the corporation. But it went further; and after having given power to the coal and iron company to sell its stock and bonds to another company, it went on to say that that other company should have the power to purchase such stocks and bonds. We are told that this is void! If the argument is sound, if the premises of my friend are correct, what is the conclusion? That if after every one of the grants of power to the coal and iron company, the words had been added, "and any other person shall have the power to sell them its lands, and any laborer shall have the power to contract with them for his labor, and any other company shall have the power to sell them its iron mines, and any other company shall have the power to guarantee their bonds." Such words would have rendered void the very grant of power to the company incorporated by the act which is now the subject of controversy.⁴

This *reductio ad absurdum* had a conclusive sound. Even today the flaw in his analogy nearly defies detection. None of his illustrations actually met the point at issue; while it was true that the right of the company to sell its stock implied that others had the right to buy, no corporation could have purchased the stock unless it was so authorized by its charter, as the Reading was not. That trick clause granting "any railroad or mining company" the power to acquire shares in the Laurel Run Company was not mere "surplusage," as Gowen had very well known at the time. Now, however, he was able to convince both himself and his audience that the section was unnecessary.

Hurriedly moving on to the grievances of the retailers, he explained that the railroad would not intentionally hold back coal deliveries, because every detention meant the loss of the use of that car for making other deliveries, although he said nothing about the company's turning cars into storehouses to take the cars out of service. Taking up the

⁴Pa. Legislative Documents, 1876, IV, 1055-56.

subject of short weights, he dwelt with delight on the result of his tests of the dealers' scales. He turned loose his sarcasm on the two retailers who had given the shortest weight:

Next on the roll of honor I come to my friend Mr. Hancock. I am sorry he is not here because I understand that Mr. Hancock says he intends to knock me down if I abuse him, and therefore if he was here I would be obliged to be very careful. . . .

Mr. Hancock, you will observe, is more liberal than Mr. Spooner. He has perhaps not learned the intricacies of trade. He gives from eighteen hundred weight to nineteen hundred weight for a [long] ton; but then he is a candidate for the Senate, and he has to be liberal to his constituents! Mr. Spooner is already in office; he is deputy sheriff; but Mr. Hancock is only a candidate. The difference between Mr. Hancock and Mr. Spooner on short weight is equal in money value to nearly one dollar per ton; Spooner being already in office, gets a dollar more for what he does not deliver than Hancock does. What Mr. Hancock will do after he has secured his position as Senator, the Lord only knows!⁵

The charge of conspiracy to maintain the price of coal next occupied his attention. There was no need to investigate the combination, he asserted, since the way in which it operated had been known to the public for two years. It had been organized he claimed, to protect the manufacturers along the Reading's lines. Slightly distorting the facts, he declared that under the previous system the operators had maintained the price of coal in Philadelphia and dumped their surplus in the New York markets for whatever it would bring. The railroad, moreover, had encouraged this dumping by granting "drawbacks," or rebates on freight paid, on coal shipped to the New York market. As a result, iron manufacturers on the Hudson sometimes paid less for coal than did those in the Schuylkill Valley, a hundred miles closer to the anthracite region, and at least one company had threatened to move to New York. Now the combination had protected the Schuylkill industries by setting the price of coal in Philadelphia at one dollar a ton less than it was in New York. The manufacturers were also enabled to lay in a supply of coal without the fear of loss from a sudden drop in price.

Gowen called attention to the fact that neither the operators nor the manufacturers had complained against the combination. The operators were receiving thirty cents a ton more than they had before, while coal was being retailed at a dollar a ton less. The coal combination was

⁵ *Pa. Legislative Documents, 1876, IV, 1062-63.* Note that the long ton of 2,240 pounds was then the standard unit throughout the anthracite industry; all tonnage figures in this book are in long tons.

not the only one in the country. The trunk lines met to fix their freight rates; the rope makers had a committee to set their prices; the iron mills—he produced a list of such industries. In any case, the coal trade had to be managed differently from other businesses. Coal could not be stored easily; mining was subject to many hazards.

Although the labor troubles had not been brought up during the investigation, Gowen felt that the committee should know something about these matters. He began:

It will not do to say that these troubles in the coal region result from the inadequacy of the price paid for labor, because I believe, without exception, the rates paid are the highest in the world. The high rates have had the effect of attracting to the coal region a surplus of labor, more than sufficient to do the work required; and it is the effort of this surplus to receive an employment which it cannot really get, that has led to all these disturbances. Do not understand me, for one instant, as reflecting in any manner upon the laboring class of the community. I say here, willingly and gladly, that the great majority—I believe ninety-five out of every one hundred—of the men employed about the mines in the coal region are decent, orderly, law-abiding, respectable men; but there is among them a class of agitators—a few men trained in the school of the Manchester cotton spinner—men brought here for no other purpose than to create confusion, to undermine confidence, and to stir up dissension between the employer and the employed. . . . I stand here as the champion of the rights of labor—as the advocate of those who desire to work, and who have been prevented from doing so. I stand here to arrange before you a class of two or three men out of every one hundred who, by their machinations and by their agitation, have held in absolute idleness and starvation thousands and thousands of men for months.⁶

Such phrases as these were to acquire an almost banal familiarity to later generations of Americans, but on July 30, 1875, they still had an air of novelty. Gowen went on to describe some of the outrages perpetrated by these "Communists," as he called them. At the Ben Franklin colliery, where the employees had accepted the reduction and gone back to work, some one had set fire to the breaker and thrown these men out of their jobs. At another colliery, twenty-five armed policemen had been required to enable the men to continue at work. A man who had written to Gowen about ending the strike had been driven from his home by threats of assassination. Gowen asked:

What avails to these men that they are ready and willing to work? Of what avail is it to them that we offer them work? Of

⁶*Pa. Legislative Documents, 1876, IV, 1076-77.*

what avail is it to them that the wages they could earn would amount to one hundred dollars or one hundred and twenty dollars a month? They cannot work; they dare not work; to attempt to do so is to invoke destruction. A man may go forth in the morning from his own humble home, determined to return at night with the wages of his labor for the support of those who are dearer to him than life itself. If he is armed, vigilant and courageous, he may protect himself from open violence by day, but in the silence of the night his home is riddled with bullets, and he is driven out into exile—away from family and away from home—out into the darkness and into the night, a fugitive and a wanderer—with every man's hand against him—and for what? For daring to submit himself to the primal curse of the Almighty, and to earn his bread by the sweat of his brow.⁷

For the committee's benefit he submitted a "list of outrages" perpetrated by the workmen of the Schuylkill region, itemizing the incidents which had occurred during the strike. Among these hundred "outrages" he inadvertently included his own action in dismissing the members of the railroad union, and several other happenings which were quite peaceful. As a whole, however, the list was an impressive recital of violence—threats, beatings, incendiary fires, wrecked trains, thefts, and shooting. It was a successful demonstration that there were men in the coal regions who did not hesitate to defy the accepted standards of law and order to accomplish their own ends. Gowen presumably identified the leaders of the labor union with these men, although all the evidence indicated that they had done their best to prevent these violent acts.

Turning from his own grievances, Gowen pointed out to the committee the valuable services the Reading was contributing to Pennsylvania—the wages and taxes it paid, its purchases from Pennsylvania manufacturers. He spoke of the fine character of the railroad's employees. He asked:

Do you ever hear of any person connected with the Reading railroad company making an exhibition of wealth, or of fashion, or of folly? Gentlemen, I tell you in all earnestness and sincerity, that I believe the mere fact that a man is an employee of the Reading railroad company is of itself sufficient to secure him employment in any other place where the Reading railroad company is known. Do you ever see a man connected with the company loaded with diamonds, driving fast horses, indulging in dissipation, or making an ostentatious display of wealth? . . .

What you may say upon the general question connected with public policy is for you to determine. You have heard my answer.

⁷ *Pa. Legislative Documents, 1876, IV, 1079.*

Whether it has affected your mind, given you any new light or opened any new view of the future is for you alone to say. But that you will make a report, charging these gentlemen with being guilty of crime, with being guilty of giving false weights, with being guilty of unjust and dishonorable discriminations, I submit you cannot find it in your conscience to do. To protest against this is all that I now stand here for. If it had not been for this, I might have suffered under your investigation in silence; but I will not, I cannot—nay, I dare not—remain silent under a charge that affects the integrity of those who look up to me as their leader and who are entitled to my poor services as their defender.⁸

Conscious of the power of public opinion, Gowen took his fight directly to the people. His argument before the committee was broadcast in pamphlet form, and advertisements reprinting the entire text filled long columns in the metropolitan newspapers. All this was valuable publicity for Gowen and the Reading, but it was unnecessary to affect the outcome of the investigation. By the time the committee was able to make its report to the legislature in February, 1876, interest in the controversy had dwindled away to minor grumblings from the coal retailers. The committee reflected the success of Gowen's appeal to their judgment by submitting a report which might have been written by Gowen himself. It declared that the legislature was powerless to do anything about the Laurel Run charter, whether or not it was unconstitutional; that the effect of the combination of the coal companies had been to lower the price of coal, not to raise it. One member of the committee raised his voice to say that he thought the coal combination harmful and that the legislature should enact a law forbidding it, but no one seemed to pay any attention.

Business interests were well-pleased that Gowen had handled his investigation so successfully, for they feared that a dangerous precedent was being established. When a petition asked the assembly to inquire into the affairs of the Pennsylvania Railroad, the *Railway World* protested:

This petition has been thus noticed to call the public attention to a growing evil in our Legislature which must be stopped. If once permitted there would be no limit to it. It might be made worse than the Spanish Inquisition. It attacks the most sacred rights of the individual, rights guaranteed by the Constitution of the State. The action of the Legislature in the case of the Philadelphia and Reading Railroad Company was the entering wedge of this iniquitous proceeding.⁹

⁸ *Pa. Legislative Documents*, 1876, IV, 1089.

⁹ Quoted in *Philadelphia Inquirer*, Apr. 6, 1876.

CHAPTER VII

THE CHILDREN OF MOLLY MAGUIRE

One phase of Gowen's program to bring law and order to the anthracite region was still undisclosed. Early in October of 1873, he had sent a note to Allan Pinkerton, head of the Pinkerton National Detective Agency, asking him to call at the Reading offices. To Pinkerton and his Philadelphia superintendent, Benjamin Franklin, Gowen explained what he had in mind. As Pinkerton later recalled the conversation, he told them :

The coal regions are infested by a most desperate class of men, banded together for the worst purposes—called by some, the Buckshots, by others the Mollie Maguires—and they are making sad havoc with the country. It is a secret organization, has its meetings in hidden and out-of-the-way places, and its members, I have been convinced ever since my residence in Pottsville and my connection with the criminal courts as District Attorney in the county of Schuylkill, are guilty of a majority of all the murders and other deeds of outrage which, for many years, have been committed in the neighborhood. I wish you to investigate this mysterious order, find out its interior workings, expose its evil transactions, and see if the just laws of the State cannot again be made effective in bringing criminals to justice. At present, whenever an assassination is consummated, and, as a consequence, a trial is instituted, a convenient *alibi* steps forward and secures for the prisoner his freedom. Municipal laws are thus incapable of execution; sheriffs of counties are powerless, and the usual run of detectives are of as little value as the open, uniformed police of the different cities. All of these have been tested, and all have failed.¹

Gowen went on to tell what he knew of the Molly Maguires :

As far as we can learn, the society is of foreign birth, a noxious weed which has been transplanted from its native soil—that of Ireland—to the United States, some time within the last twenty years. It lived and prospered in the old country considerably earlier. Its supporters there were known as Ribbonmen, the White Boys, and sometimes as Mollie Maguires, but their modes of procedure were the same as now pursued in the coal regions. Men were then,

¹ Allan Pinkerton, *The Molly Maguires and the Detectives* (New York, 1877), pp. 13-14.

as they are at this time, killed—sometimes in broad daylight, sometimes at night, and invariably by strangers—persons at least unknown to chance spectators—parties violently put out of the way. Suspected individuals would be apprehended, but in the end nobody could be found able to identify the criminals. It was only after a protracted struggle in Ireland that the proper evidence could be elicited to convict the tools doing the bloody behests of the society. I suppose it will not be easy to do this in Pennsylvania. The same minds, the same combinations, are to be encountered here. The Mollys rule our people with a rod of iron. They do this and make no sign. The voice of the fraternity is unheard, but the work is performed. Even the political sentiments of the commonwealth are moulded by them, and in their particular field they elect or defeat whomsoever they please. They control, in a measure, the finances of the State. Their chiefs direct affairs this way, and that way, without hinderance [*sic*]. Men without an iota of moral principle, they dictate the principles of otherwise honorable parties. In its ultimate results this complexion of affairs in Pennsylvania touches, to a considerable degree, the interests of the citizens of the whole country. Wherever anthracite is employed is also felt the vise-like grip of this midnight, dark-lantern, murderous-minded fraternity.²

This popular belief in the Molly Maguires had developed during the years Gowen had spent in Pottsville. The name had appeared there during his first months in the community. In its issue of October 3, 1857, the *Miners Journal* had reprinted an article describing the formation of a new and exclusively Irish Catholic secret organization, called the Molly Maguires, which was supposed to have originated in Boston and then spread to other eastern cities. It had been started, the article said, to combat the "Know-Nothingism" of the early 1850's and was continuing as a political organization within the Democratic party.

The name applied to this alleged society had been brought to America from Ireland. There, in the 1840's, young Irish patriots, carrying on an underground resistance against the occupying British authorities, had disguised themselves in women's clothing to attack oppressing landlords or officials. The identity of the original Molly Maguire is lost in the mists of history, but her "children" made her name a threatening symbol. When a hated English landlord received a warning signed by Molly Maguire, he knew that it was likely to be followed by assault or assassination if he did not leave the country.

The Irish who came to Schuylkill County were undoubtedly familiar with the meaning of Molly's name. Many of them had probably belonged to the organization. A ballad sung in the region told how a Molly Ma-

² *Ibid.*, pp. 14-15.

guire called Pat Dolan had been chosen by lot to shoot a magistrate by the name of Bell and after the murder had emigrated to America, where, the song implied, he had become a miner. It was natural for these men to use Molly's name on such anonymous warnings as the following, posted at a Schuylkill colliery:

This is to give you the Gap men a cliar understanding that if you dont quit work after this NOTICE you may preper for your
DETH.

You are the damdest *turncoats* in the State—there is no ples fit for you bute *Hell* and you will be soone there.

MOLLY.

Sind by the real boys this time—so you better loocke oute.*

This signature did not necessarily represent a secret organization. Miners were likely to put any name on these anonymous threats; during the famous Beecher-Tilton trial, one was even signed "Beacher & Tilton." Nevertheless, the indiscriminate use of the Molly Maguire name created an unfortunate confusion in the public mind. The American Molly Maguire organization, mentioned by the *Journal* in 1857, was apparently a quite peaceful association, since the worst thing a Republican editor could find to say about it was that it was identified with the Democratic party. It was probably another name for the Ancient Order of Hibernians, which appeared in America about that time, and corresponded to the description of the organization given. The Hibernians were—and continue to be—a secret order of Irish Catholics, roughly comparable to the Masons or Odd Fellows, and, like those societies, were often charged with bringing their lodge relationships into politics. Certainly the Hibernians in Schuylkill County were known as Molly Maguires, and it is likely that the name was given to the organization elsewhere.

The complication arises from the fact that in the anthracite region the term Molly Maguire acquired a special significance. The alleged activities of this organization in the coal fields differ entirely from the character of the Order of Hibernians elsewhere. It is difficult to determine whether the people of the region who spoke of the Molly Maguires were referring to the Hibernians or to some other organization. At any rate, the concept which Schuylkill County had of the Mollies was later fastened on the Hibernians, even if the A. O. H. had not originally been identified with that organization.

This concept was in general as Gowen had outlined it to Pinkerton.

* *Miners Journal*, Mar. 12, 1864.

The existence of a secret society offered a convenient explanation for all the troubles which were racking the Schuylkill region. From 1862 to 1868 there was an outbreak of violence, unusual even for the always unruly anthracite area. There were demonstrations so strong against the state draft in 1862 that the state director, Colonel A. K. McClure, decided to suspend conscription in Cass Township in order to prevent rebellion. The pressure of war-time inflation caused frequent strikes for higher wages, which often resulted in riots. On December 18, 1862, for example, a mob of two hundred armed men raided William Goynes's colliery at Forestville, beat a number of the employees, and closed the company store. The *Miners Journal* explained this attack by saying:

It seems to have been a movement originating in Cass Township, where a secret association termed the "Molly Maguires" exists, the members of which boast that they can have everything their own way and that they do not care for the law or its representatives. They claim that at short notice they can rally three thousand men to engage in their unlawful work of stopping operations at collieries; dictating what other men, who are satisfied with their wages, shall work at; and in beating unarmed men.⁴

Even more alarming was another type of violence, a series of attacks on mine bosses, including six who were killed during these years. All these attacks were attributed to the Molly Maguires, who were supposed to use assassination as a means of getting rid of superintendents to whom they had taken a dislike. At a protest meeting in Pottsville, following the murder of Henry H. Dunne, of that city, a report declared:

Your committee are convinced beyond a doubt, that there exists an organization of bad men, who are determined, cost what it may, to control the operations of collieries in this County and dictate who shall manage the same; That this organization is composed of a few of the worst and most desperate men of every district, and not of the mass of the workingmen of our coal regions, but that the well-disposed are intimidated by their own desperate character and thorough organization, and thus deterred by fear and a supposed self-interest, from assisting in bringing the guilty to justice.⁵

There was, however, very little evidence to indicate that these crimes were the work of a secret society, especially one of the type of the Irish Molly Maguires, where murder was assigned by lot. In two cases, the killing of William H. Littlehales in Cass Township, March 15, 1867,

⁴ Dec. 20, 1862.

⁵ *Miners Journal*, Jan. 20, 1866.

and of Alexander Rea in Columbia County, on October 17, 1868, the motive was ordinary highway robbery. Two other bosses, Frank W. Langdon and George K. Smith, were killed by mobs, which may or may not have been organized by some secret order. Only in two instances were the murders typical of the Molly Maguire tradition. On August 25, 1865, David Muir, a mine superintendent in Foster Township, Schuylkill County, was shot within two hundred yards of his office in broad daylight, but no information could be learned regarding his assailants. Five months later, on the evening of January 10, 1866, Henry H. Dunne, another mine superintendent, was killed on the highway by five strangers who made no attempt to rob him. Their motive was supposed to be revenge for his action in turning miners' families out of the company houses at Hecksherville several winters before, in order to provide quarters for the troops sent there to preserve order.

One other attack was reported which gave evidence of being the work of a secret society. Two strangers appeared at George W. Cole's colliery in Schuylkill County on April 2, 1866, and asked to see the mine boss, who was standing by, but did not admit his identity. When they received evasive answers, the newcomers grew impatient. Apparently guessing the identity of the boss, one of them drew a pistol and wounded him in the cheek, but the colliery employees killed one of the strangers and captured the other. The fact that these men appeared to have come to murder some one they did not know and that bail was promptly posted for the prisoner in a strange community seemed to indicate that the crime had been organized in traditional Molly fashion.

To the historian of today, however, it scarcely seems necessary to assume the existence of a secret society in order to account for conditions in the Schuylkill region. Whether or not there was such an organization, other known factors readily explain the wave of violence which characterized the period. One was the inadequacy of the local law enforcement agencies. The *Miners Journal* declared:

The curse of Schuylkill County is miserable, inefficient officials, who are either afraid to, or do not know how to discharge their duties. The fact is that we must turn from the imbeciles here to the state for protection from the bands of secret assassins that infest the County.⁶

As a result of such complaints the legislature in 1867 authorized the establishment of a special police force in Schuylkill County, the expense to be paid by a tax on coal mined there. During the two years which this

⁶ Jan. 13, 1866.

force existed, crime virtually disappeared in Schuylkill County, lending some credence to the theory that inadequate law enforcement had been responsible for the recent outbreaks.

That alone would scarcely have accounted for the crime wave, however, since Schuylkill officers were probably no more inefficient than those in other counties. A more far-reaching explanation for its origin lay in the conditions which have always surrounded anthracite mining and in the economic unrest which characterized the 1860's. Over each miner hung a constant threat that a rock-fall or an accidental spark might snuff out his life at any moment. This consciousness of impending death tended to make him less scrupulous of the conventional morality and more anxious to seek pleasure where he might find it. Since his only recreation spot was the corner saloon, he frequently got drunk and became involved in brawls. Many of the incidents in Schuylkill's crime wave, in fact, were nothing more than inebriated quarrels.

This atmosphere of violence, which has always been characteristic of the mining communities, was intensified in the 1860's by the prevailing conditions. The unorganized workers were at the mercy of their employers. Their grievances were summarized by one miner in an ironic paraphrase of the position of the operators:

We don't pay any [money]—we keep a store, and a good hotel, and a doctor, and a butcher, and a shoemaker, and a man to see that you work in among bad air and water; no matter what we charge you for goods in our store; no matter what meat is per pound; no matter what you are charged for a *drink*; or for a pair of boots or shoes; who will charge you 20 cents for a book, only to put everything in whether you get some articles or not; you will have to work night and day to pay for them. Neglect the rules we will discharge you and send your name to every office in the County to stop you from getting any work. So you see it is no use; you cannot get work anywhere else, have to submit and come under their clutches and submission.⁷

Although this picture may have been somewhat exaggerated in 1871, it was true enough in the 1860's. There were no mine inspection laws, and frugal operators ignored unhealthful or dangerous working conditions. The miner was often required to buy at the company store, where excessive prices were the rule. The blacklist was a weapon against "trouble-makers," which was employed for many years afterward. Except for the last two years of the Civil War, wages were low and periods

⁷ *Miners Journal*, Mar. 6, 1871.

of idleness were frequent. The miner lived in a dreary company house, from which he could be evicted at a moment's notice.

Worst of all, perhaps, was the petty tyranny exercised by many of the bosses. The mine boss could hand out soft jobs or hard jobs. He could fire a man and have him blacklisted at other collieries. He could be brutal, or he could demand bribes for easy assignments. He might even make free with the miner's wife. In such an atmosphere it was not to be wondered at if on occasion workingmen resorted to direct action to avenge their wrongs.

Another factor in the Schuylkill crime wave was the presence of the Irish, who by 1870 constituted almost one-ninth of the population of the five anthracite counties and a much larger proportion of the mining towns, where they were concentrated. Newly-arrived immigrants have always tended to furnish more than their share of lawlessness, since their poverty has herded them into unwholesome living conditions. They have had to face hostility from the workingman, who has resented their added competition for his job, and oppression from the employer, who has tried to keep them impoverished and therefore docile. The feeling that society is arrayed against them has forced them to unite in self-defense. Having no faith in law courts controlled by their foes, they have been ready to seek other means of righting their wrongs.

This pattern, developed during successive waves of immigration, had its inception with the arrival of the Irish. They were set off from the other members of the communities in which they settled by their religion, which was still looked upon with suspicion by people bred in centuries of Protestant tradition. In the coal regions, moreover, the mine bosses, who were usually English or Welsh, had an instinctive contempt for the Irish. Along with racial and religious prejudice, the Irish reputation for drunkenness and violence made the immigrants unpopular with the more law-abiding members of society. Perhaps they had earned this reputation because, coming from a land where it was considered patriotic to resist the constituted authorities, they arrived here without any ingrained respect for law and order; more probably, their roughness was the product of their economic environment.

Unfortunately, their reputation for rowdiness had a snowballing effect. Because so many acts of violence were committed by the Irish, all unknown miscreants automatically became Irishmen. The *Miners Journal* expressed the general opinion when it said:

It would be unjust to charge all the difficulties on the Irish population. Many of the outrages are fermented and connived at

by others, but all the open outrages, as far as we can learn, are committed by Irish men, and just in proportion as the Irish element predominates in any district the outrages increase. The English, Welsh, Scotch, and German, while they participate in the turnouts, seldom if ever commit any open outrages or destroy any property.⁸

The editor in this statement implied still another reason why mine bosses might shy away from Irish workers. Far from the usual run of docile immigrant, the Irish were ready to use fist, or club, or pistol to settle a dispute. They were thus naturally shoved to the front when the workmen marched from mine to mine to persuade their fellow-laborers to turn out in a strike. As early as 1855 they had taken the lead in several labor disputes which had resulted in calling out the militia and the arrest of twenty-eight Irishmen. Because of the Irish prominence in such roles, employers might have been expected to look upon them as agitators.

With all these grounds for racial prejudice, economic discrimination against the Irish would not have been surprising. A Pottsville priest charged:

The operators and bosses were mostly anti-Catholic and anti-Irish. They were members of secret societies which, if not professedly, at least practically, were opposed to giving the Irish-Catholic any alternative except to leave the region or to become a hewer of wood and a drawer of water for others.⁹

This discrimination seems to have been confined chiefly to denying the Irishman supervisory jobs, since his brawny muscles made him a good workman, whatever his other faults. Nevertheless, he could sense the social prejudice against him. If he was involved in a quarrel, he was responsible, because the Irish were pugnacious. If he was accused of a crime, he was guilty, since the Irish were criminals. While such conclusions were probably justified in most cases, sometimes they were not, and the race tended to unite in self-defense. When a crime was committed, they failed to recognize the persons involved; when an Irishman was arrested, they furnished him with an alibi. This was true even of the law-abiding members of the race, who were probably in the majority.

It should not be supposed, however, that the Irish were responsible for all the violence in the coal regions. The Welsh, too, had their share

⁸ Jan. 2, 1864.

⁹ Daniel I. McDermott in *Freeman's Journal*, June 30, 1877; quoted in J. Walter Coleman, *The Molly Maguire Riots* (Richmond: Garrett and Massie, 1936), p. 37.

of ruffians. One of them was Gomer James, of Shenandoah, who was tried for shooting an Irishman named Edward Cosgrove and was acquitted on the grounds of self-defense. He sat through his trial so coolly that his attorney scolded him, "The next time you are on trial for your life, take a little interest in it." In Mahanoy City the burly Major brothers were not averse to a shooting, and the character of "Bully Bill" Thomas is indicated by his nickname. The Molly Maguires, likewise, were not the only secret society. Other gangs, known as the Modocs and the Iron Clads, brawled with and killed reputed Molliques.

The Irish racial unity also extended into politics. Usually voting solidly with the Democratic party, the Irish were able to exercise an influence out of all proportion to their numbers. They could always demand several places on the Democratic county ticket, which usually meant election. It was hinted that this influence was used to restrain the county officials from enforcing the laws too vigorously among the Irish. Certain Irish leaders undoubtedly did employ political pressure to obtain pardons for members of their race who had been sent to prison, but this was the result of an unusual situation, which is interesting because of its illustration of the cross-play of issues in the anthracite region and its bearing on Gowen's Molly Maguire investigation.

In 1872 John Siney's W. B. A. decided to enter Schuylkill County politics as the Labor Reform Party. The union was opposed to the sitting judge, James Ryon, because he had delayed in appointing an examining board to select a mine inspector, as required by a state law recently enacted. The miners held him responsible for several accidents which had occurred while the appointments were held up, and blamed his inaction on his financial interest in a colliery. In order to defeat Ryon, Siney took the unusual step of going outside the district to nominate Cyrus L. Pershing, a Democrat from Cambria County, who had been attorney for the Pennsylvania Railroad. Some of the workingmen rebelled at naming a corporation lawyer to head a labor ticket, but Siney talked them into line.

The Republicans, too weak a minority to elect their own candidate, also backed Pershing. Although the labor element in the Democratic party favored the Cambria County man, the Democrats renominated Ryon. In an effort to recover labor support, they played up Pershing's corporation background and charged that he was Gowen's candidate. Probably as a result of this accusation, it later became a legend that Gowen had backed Pershing in order to oust Ryon, an Irishman, and elect a judge who would convict the Molly Maguires. At the time, however, it was clear that Siney was responsible for the nomination of

Pershing, and, considering the union's recent relations with Gowen, he was hardly likely to have been consulted in the selection of a candidate.

Most of the Irish workingmen in this election apparently deserted their own race to vote for Pershing, and he was elected. They soon had cause to regret this support, for the new judge proved unpopular with the Irish. In 1875 in a curious reversal of circumstances, Pershing was nominated by the Democratic party for governor to run against John F. Hartranft. Ryon and several other Irish leaders made a deal with the Republicans to support their candidate. Although there was no specific mention of any consideration other than cash for "expenses," it was understood that this aid would be remembered at Harrisburg when applications for pardons came up. Several Irishmen later were pardoned by the Governor, whether or not political influence was involved.

This Gordian knot of labor troubles, racial prejudice, and drunken brawling, Gowen's businessman's mind cut into the simple question of a secret organization of criminals inside the labor union, ready for arson or murder to enforce its edicts. He had set forth this view in 1871:

I do not charge this Workingmen's Benevolent Association with it, but I say there is an association which votes in secret, at night, that men's lives shall be taken, and that they shall be shot before their wives, murdered in cold blood, for daring to work against the order. At Trevorton, six or eight weeks ago, a man, working outside of this organization and against their order, who was sitting quietly beside a sick neighbor, was shot and killed by a bullet through the window of the house. Last week there was an attempt to kill a man working outside of this organization, by igniting a keg of powder under his house, and he was then shot. *I do not blame this association*, but I blame another association for doing it; and it happens that the only men who are shot are the men who dare to disobey the mandates of the Workingmen's Benevolent Association.¹⁰

At first glance it seems curious that he should have waited until 1873 to attempt to ferret out this organization. Ten years earlier, when he had been district attorney, officially charged with the responsibility for law enforcement, and crime had been rampant, he had shown no interest in arresting criminals, as far as the record shows. Moreover, at the time he sent for Pinkerton, Schuylkill County was singularly quiet. As a matter of fact, peace had settled upon the coal regions immediately following the organization of the W. B. A., and, as long as it existed, acts of violence were confined almost entirely to strikes.

¹⁰ *Report of the Committee on the Judiciary*, p. 19.

Although the Molly Maguire legend lived on in the pages of sensational metropolitan newspapers, Schuylkill County had come to look on the story as a myth of its past. Half-proud of the tradition, it resented the imputation of outsiders that such conditions still existed. When the *Germantown News* criticized a New York *Herald* fantasy about the Molly Maguires, the *Miners Journal* quoted approvingly from this "sensible article": "The lapse of time and the stronger rule of strong men have brought peaceful quiet to Schuylkill County."¹¹ A Chicago *Times* correspondent, covering the long strike of 1875, produced a story on "Molly Maguire Atrocities," which the *Miners Journal* declared "a scandalous pack of lies."¹² Even one of the metropolitan newsmen formed the same opinion as the local residents. The New York *Tribune* correspondent, after a trip through the coal regions, reported: "I found that all this 'Molly Maguire' sensationalism is purely imaginary."¹³

Gowen, however, having left Pottsville before the crime wave had spent itself, was not conscious of this change of climate. Still remembering the Molly Maguire stories he had heard there, he sought by the theory of a secret society to account for the violence that usually accompanied labor disputes. A later generation, more accustomed to labor troubles, might have scoffed at the idea that assaults on strike-breakers and the destruction of company property were necessarily the work of a secret organization, but Gowen could not realize that the decent, law-abiding miners he had known could be provoked to such acts by the bitterness of a strike.

As president of the Reading, he felt it his duty to track down this supposed band of criminals, which he considered an inner ring of the labor union. By 1873, when the Coal and Iron Company had begun to mine its own coal and his other plans for the stabilization of the anthracite industry were well under way, he had decided that the time had come to rid the coal regions of this disturbing threat to his program. He explained to Pinkerton:

We want to work our mines in peace, to run our passenger and freight trains without fear of the sudden loss of life and property through the malicious acts of the Mollie Maguires; we want people to sleep unthreatened, unmolested, in their beds, undisturbed by horrid dreams of midnight prowlers and cowardly assassins; we want the laboring men, of whatever creeds or nationalities, protected in their right to work to secure sustenance for their wives and little ones, unawed by outside influences. We want the miner to go forth

¹¹ Aug. 10, 1874.

¹² Mar. 30, 1875.

¹³ Quoted in *Miners Journal*, Nov. 25, 1874.

cheerfully to the slope, or the shaft, for labor in the breast or in the gangway, wherever it may seem to him for the best, void of the fear in his heart when he parts from his wife at the cottage-gate in the morning, that it may be their last farewell on earth, and by evening his bullet-riddled corpse may be taken back to his home the only evidence that he has encountered the murderer—the agent of those who would compel him to refuse all employment unless the regulations of the order were complied with.¹⁴

Promised every possible cooperation by Gowen, Pinkerton agreed to undertake the investigation. The method he proposed was one which he had used successfully in solving other crimes—sending a detective to become friendly with the suspected criminals. The right person, he thought, would be hard to find. He explained:

It is no ordinary man that I need in this matter. He must be an Irishman, and a Catholic, as only this class of persons can find admission to the Mollie Maguires. My detective should become, to all intents and purposes, one of the order, and continue so while he remains in the case before us. He should be hardy, tough, and capable of laboring, in season and out of season, to accomplish, unknown to those about him, a single absorbing object. In the meanwhile, I shall have to exact from you a pledge that, whoever [*sic*] I may dispatch upon this errand, he shall not through you, become known to any person as a detective. This is highly necessary to be strictly attended to. If possible, you should shut your eyes to the fact that I have an employe of my Agency working in the mining country. If you can do it consistently, it might well be given out to everybody interested that the idea of investigating the Mollies through the means of detectives, if ever thought of, has been abandoned as a hopeless job, and that the present status of affairs in the mines is totally incapable of being changed. Take the further precaution that my name, and those of my superintendents and employers, do not appear upon any of your books. Keep my reports in your own custody, away from all prying eyes. I would also ask, if my agents are engaged for one week, for one month, or for years, that these requests still be complied with; and further, whatever may be the result of the examination, no person in my employ—unless the circumstances are greatly changed and I demand it—shall ever be required to appear and give testimony upon the witness stand.¹⁵

To all these conditions of secrecy Gowen agreed, and Pinkerton set out for his headquarters in Chicago to select a man for the investigation which was to become a classic in detective annals.

¹⁴ Pinkerton, *op. cit.*, pp. 16-17.

¹⁵ Pinkerton, *op. cit.*, pp. 17-18.

CHAPTER VIII

ALIAS JAMES MCKENNA

A ride on a Chicago streetcar settled this problem for Pinkerton. He had already sounded out and rejected several of his employees, apparently because they proved too loyal to their race to be trusted to investigate Irishmen. One morning on his way to the office he chanced to look at the face of the streetcar conductor and was surprised to recognize one of his own operatives, who, he now remembered, had been engaged for some months in a secret investigation for the streetcar company, probably in connection with some form of labor troubles.

This pseudo-conductor, Pinkerton realized, was an ideal man for the Molly Maguire job. He was a twenty-nine-year-old Irish Catholic, named James McParlan. Moreover, he was a very obvious Irishman, with his hazel eyes, ruddy complexion, and sandy red hair, and a tongue with a bit of an Irish brogue. The winning ways he had shown in his year as a Pinkerton employee would be an aid in ingratiating himself with the suspected criminals. The fact that he was without dependents was an important consideration, in view of the perils Gowen had pictured. In addition, Pinkerton believed he could be relied upon not to let racial loyalty interfere with his duties.

An interview with the young detective promptly confirmed this impression, and off he went to Philadelphia to confer with Superintendent Franklin, leaving behind in the Chicago office a story that he was being sent to England. Although McParlan had never been in the coal regions, he had already had a wide variety of experiences to prepare him for meeting the miners. Leaving Ireland at the age of nineteen, he had spent three years in English chemical works before coming to America. After two brief jobs as a clerk in New York he moved on to Chicago, where he was successively a teamster, a deckhand, a lumberman, a private detective, a coachman, and a bartender, all in the space of five years, before he joined Pinkerton's agency.

On his arrival in Philadelphia, he was fitted out with some old clothes and spent several days hanging around the docks to pick up a working knowledge of the coal trade. Then, with his bags packed with paper, envelopes, and stamps for the reports he was to send in daily, he set off for the coal regions on October 27, 1873, in the disguise of James

McKenna, a silver miner from Denver. Travelling about Schuylkill County, he found that an inquiry as to the prospects for work furnished both an excuse for his presence and a useful conversational gambit. He frequented the saloons, and wherever he went he became a popular figure by setting up the drinks, singing songs, dancing jigs, and spinning yarns. Each day he wrote and sent to Superintendent Franklin at the Pinkerton's Philadelphia office a lengthy description of all his activities, regardless of their bearing on his investigation.¹

His first contact with the Molly Maguires came in Pottsville after a month in the anthracite region. There he was warned by a fellow-lodger against frequenting the Sheridan House, kept by Pat Dormer. Dormer, his friend said, was a captain of the Sleepers, otherwise known as the Molly Maguires. This was an opportunity not to be lost. Slipping away, the detective set out for the Sheridan House, after making sure that his revolver was ready for use. Inside the barroom a fiddler seated on a whiskey barrel was playing a tune. Feigning drunkenness, McKenna, as the Pinkerton man was now known, lurched through the doorway and broke into a jig. He kept his eye on the burly form of Pat Dormer, whose acquaintance he was anxious to make. At first suspicious of the stranger, Dormer was soon enthralled by the dance and at its conclusion called for drinks on the house. McKenna then launched into a ballad about an Irish Molly Maguire, which he hoped would lead into the subject of his investigation. By this time the tavernkeeper had adopted the detective as a friend and drew him into a game of euchre in the back room. Catching one of his opponents cheating, McKenna then clinched his popularity by knocking out the man in a fist fight.

By dropping a few vague hints, McKenna managed to convey the idea that while in Ireland he had been a member of the same secret society as Dormer, hoping that this would turn out to be the Molly Maguires. Highly pleased with his new friend, Dormer was not hard to convince, which was fortunate since the detective knew nothing about the order except a toast which he had overheard. Michael Cooney, another Irishman who dropped into the Sheridan House, proved more suspicious and asked so many questions that McKenna had to pretend to fall into a drunken stupor.

Dormer, however, could not help the detective along on his quest, since he had been expelled from the society on charges that he had joined the Odd Fellows. Nevertheless, he did offer a letter of introduction to Michael Lawler, of Shenandoah, known as "Muff" from the

¹ These reports were kept by the Pinkerton Agency, and copies transmitted to Gowen, but these records were not available at the time this was written.

breed of fighting cocks he raised. Lawler, he assured McKenna, could find him a job in the mines if anybody could.

Since Lawler was reputed to be a leader in the order, this was an excellent chance for the detective. Not wishing to seem too anxious, however, he went first to Girardville. There he heard that Jack Kehoe, keeper of the Hibernian House, was a member of the same secret society that congregated at Pat Dormer's. This organization, the detective was beginning to learn, was actually the Ancient Order of Hibernians, although he had heard outsiders refer to it as both the Sleepers and the Molly Maguires. Its criminal characteristics, however, were not yet apparent, since he was informed that Jack Kehoe was a respectable member of the community and the most violence he had observed in Pat Dormer's saloon was a fight in which he himself had taken part.

Despite this lack of nefarious evidence, McKenna was not troubled by any doubts that he might be on the wrong track. He at once set out for the Hibernian House, where by his usual formula of asking about work, setting up the drinks, and singing a song, he made friends with Kehoe, who accepted his story that he was a former member of the Hibernians, but knew none of the secret signs. With Kehoe and a liquor salesman from Pittsburgh, also a member of the order, he went along to visit the local priest, where McKenna received his first confirmation that the Hibernians were the organization Gowen had hired him to investigate. Father Bridgeman declared the society

is in the control of a few unscrupulous fellows, who care not for God or man, only for themselves and their own pockets. Yet they call themselves Irishmen! They can sneak around and whip and kill some unfortunate person—some mining boss, or superintendent, or destroy property, thus scandalizing those in the Church of the same nativity—but they do not care to turn out in regalia on St. Patrick's day with honest Irishmen, for then they would be known and marked for the murderers and assassins they are. Oh, it's a bad, bad society! A withering curse rest upon it, and upon all in any way connected with it!²

Kehoe was deeply hurt by a denunciation he considered unjust, but McKenna was more anxious than ever to get inside the order. Traveling to Tamaqua, he made the acquaintance of Alexander Campbell, a tavern-keeper, and Chris Donnelly, of Mount Laffee, reputed to be the county treasurer of the Hibernians, both of whom were destined to become important in his investigations. On his return to Shenandoah he learned

² Allan Pinkerton, *The Molly Maguires and the Detectives* (New York, 1877), pp. 103-04.

that Lawler was not at home, but, going on to Pottsville, he found him in Dormer's saloon. Lawler turned out to be a heavily built man, with a bald spot in his black hair and a beard on either side of a bare chin. Pleasant in manner, he was somewhat vain of his ability to read and write. Although he was a tavernkeeper on the side, he was an industrious miner and had held office in the labor union, which was unusual among the Hibernians. Satisfied with Dormer's recommendation, Lawler promised McKenna a welcome in Shenandoah.

Meanwhile the detective had invented several stories to explain his apparent inability to exist without working. He said he was receiving a government pension for wounds received in the U. S. Navy in 1862, and on other occasions claimed to be passing counterfeit money, which, to the puzzled eyes of Pat Dormer, looked as good as the good money it really was. Among his other fanciful adventures he included the murder of a man in Buffalo, for which New York detectives were supposed to be on his trail. This served to account for his coming to the anthracite regions as a hide-out. These tales also gave him the reputation of a tough character, which he thought would be useful. A murderer, the Pinkertons knew, seldom saw any danger in admitting his crime to another murderer.

Taking lodgings in Muff Lawler's home, in February, 1874, McKenna settled down to wait an opportunity to join the Hibernians. Lawler did find him a job in the mines, which, fortunately for the detective's unaccustomed hands, lasted only two weeks. This ended his desire for labor, and he relied thereafter on his other stories as an excuse for being in the coal regions. His room proved unsatisfactory, however, since he shared it with Lawler's brother-in-law and thus had to sneak from his bed down to the cold kitchen at night in order to write his daily reports. Good as he was at stringing a yarn, he had not yet invented a plausible excuse for writing a letter every night. To avoid accounting for his unusual literary activity, he kept his stamps in a slit in his boot and used his landlady's bluing bottle for ink. The finished letter he took downtown late at night and dropped into the postoffice when he was unobserved.

Luckily, McKenna was always able to get back to bed without wakening his roommate, but he welcomed the chance provided by Mrs. Lawler's illness as an excuse for moving. At the home of Fenton Cooney he found a room to himself, where all he had to do was to stuff some old clothes in a crack in the wall and hang his hat over the doorknob in order to work completely unobserved.

The reports he wrote thus privately, however, were still barren of any pertinent data. Although Muff Lawler continued friendly, he seemed to be making no effort to get the detective into the Ancient Order of Hibernians, or the Molly Maguires, as McKenna always called the organization. McKenna guessed that the reason for the delay was a friendship he had struck up with Frank McAndrew, an Irishman about his own age, who was opposing Lawler for bodymaster, or president, of the local division of the Hibernians.

McKenna brought Lawler to the point, however, by suggesting that he might leave Shenandoah. Lawler then offered to get him into the order if he would support him for county delegate. To this McKenna readily agreed and on the night of April 14, 1874, he was led upstairs into Lawler's bedroom, where before the assembled members he took the oath of secrecy, which, of course, he had no intention whatever of keeping. After paying the three dollar initiation fee he was given "the goods" for the current quarter. These were the secret signs of recognition, common to all lodges. A member, for example, would put the tip to his right little finger to the outer corner of his right eye to ask a stranger whether he was also a member. The stranger would then reply by catching the right lapel of his coat with the little finger and thumb of his right hand.

There was also a drinking toast, which at that time was "The Emperor of France and Don Carlos of Spain," answered by "May unite together and the people's rights maintain." The password for entering a meeting was "Will tenant right in Ireland flourish?" and the response, "If the people unite and the landlords subdue." If a member quarreled with another who might belong to the order, he would say, "Your temper is high!" If the other was also a member, he would answer, "I have good reason," ending the dispute between the brothers. Two members meeting in darkness would exchange the phrases, "The nights are very dark!" and "I hope they soon will mend."

Crammed with all the secrets of the Hibernians, McKenna lost little time in getting back to his cold bedroom at Fenton Cooney's, where he wrote down every word of the proceedings, ending triumphantly, "So you see victory is won at last!" Victory, however, was in fact still very far away. Although the Hibernians seemed inclined to drunkenness and brawling, the only criminal he had so far unearthed in the order was the imaginary character he had created for himself, and it was to be more than a year before he could connect one of the Hibernians with crime, even though he knew all the secrets of the order.

Meanwhile continuing his role of drunken loafer, he filled up his reports with accounts of fascinating adventures and Hibernian politics. Difficulties broke out over Muff Lawler's handling of his duties as bodymaster of the division. McKenna implied that the trouble was due to Lawler's failure to act on a demand for vengeance against Gomer James, the Welshman who had been acquitted of the murder of Edward Cosgrove, a member of the order. Some of the Shenandoah Hibernians were arguing that James should be put out of the way because he had killed one of their number. A more important factor was Lawler's general ineffectiveness, which resulted in his removal by Barney Dolan, the county delegate. Although McKenna was proposed as his successor, he withdrew in favor of Frank McAndrew, accepting only the office of secretary. This was a useful advancement, since it enabled him to get better acquainted with the other divisions and also furnished an excuse for writing his reports.

Shortly afterwards, Barney Dolan himself was removed from office by the county convention for mishandling the organization's funds, and the Girardville innkeeper, Jack Kehoe, chosen in his stead, an election which was to have fateful results for him. In another attempt at reform Lawler and two other Shenandoah members, Tom Hurley and John Gibbons, were expelled from the order for life, but in the loose fashion characteristic of the Schuylkill society, all three were soon back in again.

All through 1874 McKenna waited patiently for some evidence which would convict one of his fellow-members as a criminal. For his reports he could find nothing more exciting than a brawl at a Polish wedding. Talk about killing Gomer James arose now and then, but nothing happened. A shooting scrape in Mahanoy City on October 31 brought an order from Superintendent Franklin to go there to investigate. Trouble had broken out between the Irish and non-Irish fire companies on the way back from a fire. The chief burgess, George Major, came out, flourishing a revolver, to put a stop to the brawl. He fired at a barking dog, some one else shot and killed the burgess, and Major's brother shot an Irishman named Dougherty in the neck. McKenna talked with several of the Hibernians in Mahanoy City, but was unable to learn who had killed the burgess. Dougherty was later tried for the murder and acquitted.

With the coming of the long strike in 1875, violence broke out on all sides, but still McKenna could find no evidence that his organization of alleged Molly Maguires was involved. Jack Kehoe, in fact, was making progress with his program of reform. On St. Patrick's Day the Hibernians paraded openly in full regalia and even soberly under

Kehoe's threat of arrest for any member who got drunk. McKenna's closest contact with any of the strike violence came when the Shenandoah Hibernians were asked to join in a plot to burn a nearby bridge of the Catawissa Railroad, operated by the Reading, but the plan collapsed.

Unable to stem the tide of sabotage himself, McKenna now wrote to Superintendent Franklin, asking for aid in the form of special police. Pinkerton came on to Philadelphia and arranged a conference with Gowen to discuss the situation. He showed Gowen copies of the reports, covering almost two years, which the Reading president had apparently not yet seen. Although McKenna had not so far succeeded in solving a single crime, both Gowen and Pinkerton seemed convinced by his story that he was on the verge of rounding up the dreaded Molly Maguires, and were untroubled by the fact that the Ancient Order of Hibernians had shown little resemblance to the society which Gowen had hoped to uncover.

First making sure that the detective would not be involved by any arrests made through his information, Pinkerton proposed a flying squad of a dozen policemen, half from the Pinkerton agency and half from the Coal and Iron Police, to catch criminals in the act on warnings sent in by McKenna. Gowen promised his full cooperation in this plan. McKenna was called to Philadelphia, ostensibly to attend his sister's wedding, and Pinkerton had his first look at his operative since he had left Chicago. Recognition was difficult, since outdoor exposure and much bad whiskey had taken their toll of the detective's appearance. Apprised of the new plan, McKenna returned to Shenandoah to regale his friends with details of the supposed wedding.

The man Pinkerton selected to head his flying squad was Robert J. Linden, a native of Pennsylvania, who had served in the Navy during the Civil War. About forty, he was tall and powerful, with black, close-curling hair and mustache, and blue eyes. He had worked in the Pinkerton's Philadelphia office until 1871, when he had been assigned to Chicago and there become assistant superintendent. Arriving in Pottsville May 6, 1875, Linden organized his police force and met McKenna secretly to arrange a system of communication.

Aided by the rising bitterness of the strike, the detective was at last beginning to make progress. A drunken travelling companion, "Yellow Jack" Donahue, divulged the details of a number of acts of sabotage against Reading property, in several of which Yellow Jack claimed a prominent role. This had nothing to do with the Order of Hibernians,

except that Donahue was a member, but it was useful information, and the first that McKenna had succeeded in obtaining.

He was uncomfortably close to crime when his friend, Frank McAndrew, the Shenandoah bodymaster, went to Luzerne County to look for work, leaving the secretary in charge of the division. According to the detective's story, the Shenandoah Hibernians at once began pressing him for action on the murder—or, as they viewed it, the execution—of Gomer James. Instead of inventing an excuse for delay in order to give him time to warn James, McKenna for some explained reason fell in with the plan. Setting out for Mahanoy Plane to get two men to help, he pretended to fall into a drunken stupor there, which at least prevented him from taking any part in the projected murder.

Fortunately for Gomer James, the plan to waylay him collapsed when he failed to show up that morning. Two other attempts ended in humorous fiascos; once the Irishmen could not make up their minds whether the passerby was James until it was too late, and the other time eight armed men were waiting for him but nobody fired because Tom Hurley was busy loading his rifle. To some this might have looked as if the Hibernians were more anxious to talk about murder than to commit it, but McKenna still feared that these desperate characters would kill the Welshman, although his own efforts to prevent the murder seemed to be confined to an attempt to resign as secretary of the division. Gomer James ended the detective's fears, however, by getting fired for drunkenness and leaving the neighborhood.

Meanwhile another reprisal murder was being contemplated. Soon after Dan Dougherty returned to Mahanoy City following his acquittal of the murder of the burgess, he was fired on by persons he suspected of being Jesse Major and "Bully Bill" Thomas. Jack Kehoe, determined that the lives of Irishmen should be made safe, called a meeting of the county bodymasters at Mahanoy City on June 1. Dougherty showed the bullet holes in his coat, and declared that a policeman standing a few yards away had made no attempt to catch his assailant. The assembled Hibernians thereupon decided that they would have to take the law in their own hands, and put the Majors and Bully Bill out of the way. Several of the bodymasters volunteered men for the job, but Kehoe appointed McKenna to handle it.

Four days later the detective took his roommate Michael Doyle, Tom Hurley, and John Gibbons over to Mahanoy City to shoot Bully Bill, but McKenna was able to talk them out of acting that day on the grounds that the presence of the militia, who had been called out to settle the strike disturbances, made the project too dangerous. The detective then

fell sick, and nothing further was done until Frank McAndrew came home to resume charge of the Shenandoah division towards the end of the month. McAndrew then sent Hurley, Doyle, and Gibbons, along with John Morris, back to Mahanoy City to have another try at Bully Bill. Although the detective seemed to have taken no previous steps to prevent the murder, when he learned the men were setting out for Mahanoy City, his conscience impelled him to try to send some warning. Unfortunately, according to his story, he was guarded all night by Mike Carey, who had been instructed by the doctor to keep an eye on him because of his illness. While his efforts to get away seem rather feeble as he described them, McKenna was naturally more interested in his own safety than in that of Bully Bill Thomas.

The next morning Mike Doyle returned with the news that they had caught the Welshman, and took McKenna out to the mountain where the rest were waiting, hot and tired from the trip home. They described how they had found Bully Bill in the colliery stable and had taken turns firing at him until they were certain he was dead. Their confidence in their shooting was unjustified, however, for it turned out that Bully Bill recovered.

About this time an incident occurred which had no bearing on the investigation, but which is a curious illustration of the romantic imagination of Pinkerton and his operative. When the legislative committee investigating the Reading met in Pottsville on July 6, 1875, Pinkerton, conjuring up a frightening picture of murder and violence in the anthracite region, took it upon himself to send detectives to protect Gowen's life, without consulting the Reading president, who would probably have laughed at the idea of danger. McKenna, supposedly in the midst of the worst gang of cutthroats in the county, had discovered not a shred of evidence of any plot to assassinate the Reading president. Ordered to Pottsville, he did decide that a man who was hanging around Gowen looked suspicious. Shadowing him all day to find out his nefarious purpose, he learned late at night that it was to court the cook in a house on the edge of town.

McKenna had a more profitable investigation a few days later. On the night of Monday, July 5, following the usual Independence Day celebration, the two policemen of Tamaqua, Benjamin Franklin Yost and Barney McCarron, were going about the town, putting out the street lights. As Yost was mounting the ladder to turn off the light in front of his home, two shots rang out and he fell, fatally wounded. His fellow policeman gave chase to the murderers, but in the darkness could see only that one man was larger than the other. Jimmy Ker-

rigan, the bodymaster of the Tamaqua division of the Hibernians, was known to have a grievance against Yost, but both policemen agreed that he had not taken part in the attack, since they would have recognized him from his diminutive height of five feet two inches. Yost before he died said that he thought the murderers were two strangers he had noticed earlier in the evening at James Carroll's saloon.

McKenna on July 15 received orders to go to Tamaqua and learn who had killed Yost. Making up a story that he had heard detectives were coming to Shenandoah to look for him on account of the supposed Buffalo murder, he set out for Tamaqua. At Carroll's saloon he introduced himself and received a warm welcome, but was unable to elicit any information. Going on a few more miles to Alexander Campbell's saloon at Storm Hill, he had no better luck.

The following morning, however, he had an opportunity for private conversation with young Mike McKenna. The detective led him on by imaginary tales of his own misdeeds until Mike felt impelled to tell some stories of his own. In his eagerness the young man brought up the Yost murder. He explained that it had been done through a bargain between Kerrigan and Campbell. Campbell wanted men to kill John P. Jones, a mine superintendent who had blacklisted Hugh McGehan. On Kerrigan's promise to supply the needed men at a later date, Campbell had sent McGehan and James Boyle over to Tamaqua to shoot Yost. McGehan, the detective learned, had fired the fatal shot. The next day he met McGehan, who was a young, well-built man of medium height and fair complexion, but succeeded in learning nothing more.

Two weeks later, on a second visit to Tamaqua, he heard from James Carroll that several detectives had been around seeking information without any success. Carroll seemed rather pleased that he had been able to see through their disguises. Taking McKenna, whom he could trust as a well-known lodge brother, into his confidence, he said that he had loaned the boys who did the Yost job a single-barreled pistol. His wife suspected that he knew something about the murder, but she had been careful to let out nothing at the inquest.

McKenna was not long in locating the other murder weapon. He had obtained from Captain Linden a .32 revolver, the same caliber as the bullet which had been extracted from Yost's body. Taking this along with him, he went in the company of an Irishman from Summit Hill, named McNellis, to visit Jimmy Kerrigan. When he showed Kerrigan his pistol, which he claimed to have stolen, the little miner replied by producing another, which belonged to James Roarty, the Coaldale bodymaster. This, Kerrigan boasted, was the gun which had shot Yost. To draw him out, McKenna pretended to be skeptical of the claim, and

the diminutive Irishman retorted, "You'll allow that I know somethin' of a job that I planned be meself, and wor there on hand, when it wor all done."

The detective had scarcely expected to be so lucky as to obtain a direct confession from one of the murderers. Concealing his excitement, he seized the opportunity to study Roarty's pistol before McNellis carried it back to its owner. That night he walked out by the cemetery with Kerrigan. As the two men sat on a bank in the dark, Jimmy grew loquacious over the shooting. He told how he hated Yost for having arrested him and Tom Duffy without cause on one occasion. Without mentioning names, he described how he had posted the men to wait for the policeman, then gone back downtown to make sure that Duffy was safe in bed with an alibi. After the shooting he had led the two men back over the hills towards their home. Carroll was the only other man in the division who was in on the secret.

Although McKenna now had the full story of the murder, he still had no evidence which would stand up in court. Seeing Linden, he laid plans for getting Kerrigan to repeat his story where the captain might overhear him from some hiding place. Fortunately McKenna had an excellent excuse for keeping Kerrigan's company, since he had discovered that his sister-in-law, Mary Ann Higgins, was the young lady who had caught his fancy at a Polish wedding sometime before. The courtship proceeded more successfully than the investigation, however, for Kerrigan repeatedly failed to show up for appointments, leaving Linden lying wearily behind a fence.

Although this effort at eavesdropping proved fruitless, still other confessions were poured into McKenna's eager ear. Aleck Campbell, visiting in Carroll's saloon, took the detective aside to tell him the names of the murderers, and later in the evening Carroll himself confirmed this information. A few days afterwards by bringing up the subject of cartridges for the revolver he was supposed to have stolen, McKenna got McGehan to tell him the whole story of the murder. The same subterfuge induced Roarty to admit that he owned some ammunition for the gun McGehan had used to shoot Yost.

When the detective returned to Tamaqua on Monday, August 16, he learned that there were more crimes for him to investigate. The preceding Saturday had been the first full payday since the end of the strike, and the miners had celebrated the evening with an unusual spree of drunkenness. In Mahanoy City Bully Bill Thomas, recovered from his recent wounds, had exchanged pistol shots with an Irishman named James Dugan, and a couple of bystanders had been wounded. In Girardville Squire Gwyther had prepared a warrant for the arrest of

a rioting Irishman. When he stepped out to look for the man, another rioter had shot him. Thomas Love was arrested for the murder, but the criminal proved to be his brother William, who had escaped.

What most interested McKenna, however, was the news that Gomer James had at last met the fate decreed for him by the Hibernians. He had been shot while tending bar at a fire company picnic at Shenandoah. Promptly returning there, McKenna soon learned that Tom Hurley had fired the fatal shot. The local division of the Hibernians had been in session on Saturday night when Mike Carey had rushed in to announce, "Tom Hurley has shot Gomer James." McAndrew had later rebuked Carey for making such a statement before all the members, many of whom might not approve of such deeds.

Hurley and his friends insisted that McKenna go to Girardville to collect a reward from the county delegate for shooting James. There Kehoe confirmed the story of the murder of the local squire and promised to bring up the question of a reward for Hurley at a meeting of the county committee next week. At that meeting, held in Carroll's Tamaqua saloon on August 25, Hurley appeared to put in his claim, but the decision was held up when Pat Butler, the Lost Creek bodymaster, declared that a member of his division maintained he had shot James. McKenna and Butler were then appointed to decide who was entitled to the reward. When the arbitrators met in the bush the following Sunday, the Lost Creek claimant failed to put in an appearance, and credit for the murder went to Hurley by default.

On Tuesday morning, August 31, McKenna woke up to find a strange revolver on the washstand. Rousing his bed-mate, Mike Doyle, he learned that Doyle and four others were going to Raven Run to kill a mine boss there named Thomas Sanger. The detective tried to find some means of sending a warning to Captain Linden, but Hurley stayed too close all day to give him an opportunity. The next morning Doyle returned with his companion, Thomas Munley, of Gilberton, and three men from Wiggan's Patch, James McAllister, Charles O'Donnell and his brother, James, better known as "Friday." The five men had lounged about the colliery in open sight until Sanger had come along with William Uren, a miner who boarded with him. Although the Hibernians did not know Uren and had not intended to kill him, they had shot and fatally wounded both men. One of the proprietors of the mine, Robert Heaton, gave chase, but the murderers soon outdistanced him. Friday O'Donnell was quite free in telling the story, and McAllister showed McKenna the revolver he had used.

That afternoon a special meeting of the Shenandoah division was called. McAndrew informed the assembled Hibernians that Kerrigan

had asked for three men to assassinate John P. Jones for Aleck Campbell, and had promised in return to shoot a boss named Reese for McAndrew. McKenna, always assigned the leading role in such enterprises, was appointed to take Thomas Munley and Michael Darcy to Tamaqua. On their arrival the next morning the detective's confederates had to be put to bed at Carroll's, and, when they awoke, he sent them home since he had not been able to find Kerrigan.

In the evening he found an opportunity to talk to Carroll alone. The saloonkeeper whispered to him that Kerrigan had left the day before with two men from Mount Laffee to take care of Jones. Deciding that any attempt to send a warning would be too risky, he went back to his room at the Columbia House and wrote out a report for Superintendent Franklin.

The next morning, September 3, he awoke to find Tamaqua in a state of excitement. Samuel Beard, a young law student, had gone into Lansford early, arriving at seven to learn that John P. Jones had just been murdered. Suspecting that Kerrigan had been involved—Superintendent Franklin had been passing along to the Tamaqua authorities some of the results of the detective's investigations—Beard promptly returned to his home and with a friend mounted watch in the Odd Fellows cemetery. Through their spy-glass they soon spotted two men coming out of the bushes near the spring to meet Kerrigan, who was bringing them a bundle of sandwiches and a flask of whiskey. While the three men enjoyed their lunch, an impromptu posse was assembled to haul them off to jail.

There Kerrigan's two friends identified themselves as Michael J. Doyle and Edward Kelly, of Mount Laffee, and said they had just met the little Irishman. Evidence against them, however, was overwhelming. Cartridges found on them fitted the three revolvers which were discovered the next day near the spring where they had been arrested. Persons who had witnessed the shooting of Jones identified Kelly and Doyle as the murderers. An irate mob gathered and threatened the lives of the prisoners as they were being transferred to the Mauch Chunk jail.

Feeling ran high in all the communities where shooting had taken place. The assassination of Jones had climaxed a wave of murder unprecedented in the Schuylkill area. One illiterate miner explained why the killings had begun only in June in a letter to the *Shenandoah Herald*:

ye keep publishing the sitewation of afares and if ye are a fare Dealing Man why the Blue Blases Dount you tell the publick what

has caused the present State of afares. Purups your Big Mouldey Hed Dount Know it But i will tell ye the s-n of a B---s of operators and Boses Has robd us out of 30 per sent insted of 20 But it has took the meen skunks 40 to get it, and we intend it to cost them 40 to Keep it. Now mister tom thats the true sitewation. i am against shooting as mutch as ye are. But the union is Broke up and we Have got nothing to defend ourselves with But our Revolvers and if we dount use them we shal have to work For 50 cints a Day. and i tell ye the other nationalateys is the same as we are onley thay are to Damd cowardley. ye can think and say what ye Like it is all the same to us. But i have told ye the Mind of the childeren of Mistress Molly Magure.³

Tom Foster, editor of the *Herald*, who had been thundering against lawlessness for the last few months, could only laugh at such pleas. He complained that "the law as enforced in the coal region is eminently successful in protecting criminals." In daily editorials he denounced the Molly Maguires and praised the accomplishments of vigilante committees. When the rival *Miners Journal* pooh-poohed his fears and scoffed: "That poor frightened devil has the 'Mollie'-phobia so bad that we believe all his dreams are of 'Mollies,'" Foster boldly reprinted the statement and replied that the *Journal*, having formed a political alliance with the Mollies, had to defend them.

Although the Hibernians had promptly dropped all murder plots on the arrest of Kerrigan and his accomplices, there was still plenty of drunken violence to draw the *Herald's* fire. On one October Saturday night in Shenandoah an Irishman was arrested at six o'clock for firing his revolver in the street. At eight another Irishman was wounded in a saloon brawl. About half-past eleven a Welshman was arrested for shooting off his revolver. A little later another Welshman was shot in the back and had his throat cut. About two-thirty a man came out of his house to fire his pistol at a crowd of drunken revelers and was fired upon in return, and half an hour later some one put several bullets through Muff Lawler's door.

Inspired to more vigorous denunciations by such acts, Tom Foster continued to laud lynch law until he obtained results that shocked even him. Just before dawn on the morning of December 10, a mob surrounded the O'Donnell home in Wiggan's Patch. As six or seven of them broke in the back door, Charles McAllister ducked into the cellar, but his wife Ellen opened the door to receive a bullet in her breast. Going on upstairs, the mob put ropes around the neck of Charles O'Donnell, James McAllister, and a man named Baird, and led them

³ Shenandoah *Herald*, Sept. 28, 1875.

outside. Baird they released when they learned his identity, and McAllister made a successful dash for freedom. O'Donnell, however, was shot down, and the mob emptied their pistols into the body until the head was crushed beyond recognition and the flesh was roasted.

Old Mrs. O'Donnell, who had been knocked down in the assault, recognized one of the men as Frank Wenrich, her butcher. On a warrant sworn out by Jack Kehoe, her son-in-law, Wenrich was arrested. Taken to Pottsville for a hearing, he was immediately released on bail. An enthusiastic crowd met him at the station on his return home, and followed him to the hotel, where he received congratulations all evening. Although there was some regret over the unintentional killing of young Ellen McAllister, the advocates of law and order approved the lynching of murderers, albeit no one seemed to have any proof that O'Donnell had been a murderer.

The Pinkerton man meanwhile was devoting himself to keeping informed about the defense of the prisoners in the Mauch Chunk jail. He saw Aleck Campbell repeatedly and discussed with him plans for providing an alibi for Kerrigan and his friends, all the details going through Superintendent Franklin to the prosecuting attorneys. He helped to manage a ball in Shenandoah to raise funds for the defense and went to Wilkes-Barre to seek aid from the order there. All his hair had come out since his illness in June, and he went to Philadelphia at Christmas to get himself a wig. At the same time he was keeping an eye cocked for the vigilantes, for to most people he was still that drunken scoundrel, James McKenna, the most vicious Molly of them all.

CHAPTER IX

LAYING THE FOUNDATIONS

When the trial of the Jones murderers was postponed at the October term of the Carbon County court because the defense counsel managed to have the jury panel thrown out on a technicality, the case seemed to be following the traditional pattern—delay, disappearance of the Commonwealth witnesses, an alibi for the defendant, and acquittal. For the first time, however, a strong body of evidence was backed by the determined will of Gowen and his fellow coal magnates. The juggernaut which he had created was rolling relentlessly on its path to crush the Ancient Order of Hibernians, although the hand that was guiding it was still concealed.

The machine itself was, in fact, very much a secret. When Doyle, the first of the prisoners to be tried, was brought into the dingy Mauch Chunk courtroom on January 18, 1876, the case was regarded as a conventional murder trial. Of the metropolitan newspapers, only the Philadelphia *Times* scented the news possibilities enough to send a reporter; the Philadelphia *Inquirer* did not even mention the trial. The local journals, however, were covering the trial thoroughly, the Shenandoah *Herald's* Tom Fielders scribbling away rapidly trying to get down all the testimony.

The courtroom was filled to the doors with excited spectators for the opening of the trial. In the crowd the supercilious *Times* man noted "the usual variety of shabby-looking rustics, dilapidated village loafers, and women with gaudy red shawls and crying babies, together with an unusually large sprinkling of sturdy fellows, whose hard features, marked with blue spots of scars, proclaimed them anthracite miners."¹

The prisoner at the bar, Michael J. Doyle, was, according to the same reporter, "a strongly built man, five feet ten inches high, and about thirty years of age. He has dark brown hair and a tawny mustache and goatee. His forehead is square and of medium height, and his jaws heavy. He has a dogged and defiant expression, and looks more like a prize-fighter or Fourth Ward rough than anything else I can think of."

Arrayed against Doyle was the best legal talent money could hire, since the Lehigh and Wilkes-Barre Coal Company was using its funds to prosecute the murderer of one of its superintendents. Joining District

¹ Philadelphia *Times*, Jan. 19, 1876.

Attorney E. R. Siewers were Francis Hughes, the able veteran of the Schuylkill bar, General Charles Albright, and Allen Craig. The Hibernians, however, had obtained counsel of almost equal ability. From Pottsville they brought brilliant Lin Bartholomew, John W. Ryon, and Congressman James B. Reilly to aid two Mauch Chunk lawyers, General Daniel Kalbfus and Edward Mulhearn.

The defense attorneys fought a valiant delaying action for their client, exhausting every legal stratagem to postpone the trial, but each technicality was quickly overruled. Three days were required to fill the jury box. There were no Irish names on the panel, but the defense succeeded in getting a few Pennsylvania Dutch jurors who had difficulty in understanding the testimony.

All these efforts proved of little avail, however, as the Commonwealth proceeded with its overwhelming evidence. Step by step 122 witnesses traced the movement of the murderers from the day before the shooting to the time of their arrest. While no one had seen the actual murder, Doyle and Kelly were identified as the men who had fled from the scene with revolvers in their hands. Only at one point was the prosecution's case weak, in the absence of any provable motive. The Commonwealth attorneys were being kept informed of all McKenna's reports and knew how Campbell had arranged with Kerrigan for Jones's murder, but they had no way to get that story into the evidence. The best they could do was to introduce the A. O. H. buttons found on the prisoners and a scrap of paper, alleged to be part of a note from Jeremiah Kane, body-master at Mount Laffee, to James Carroll, and to intimate that the Hibernians were responsible for the assassination.

Feeble as these bits of evidence were, the steady succession of identifications of Doyle as one of the murderers was sufficient. A hundred defense witnesses had reportedly been gathered to swear that Doyle had been somewhere else, but by the time the prosecution rested its case they had thought better of the idea. In what was intended to be a surprise move, the prisoner's lawyers announced that they would call no witnesses. The courtroom rumbled in astonishment, but the prosecution showed that they had been prepared for this step by announcing that they were ready to address the jury. After the conclusion of the arguments on Monday, January 31, the jury retired and returned the next morning with a verdict of murder in the first degree, the first time such a verdict had ever been reached in Carbon County.

Meanwhile Gowen's plans had received an important break. Jimmy Kerrigan, who was mistrusted by his comrades, had been listening to the evidence with dismay and felt the hemp tightening around his own

neck. When the last witness had been called, he sent word to the prosecuting attorneys that he wanted to confess. On the basis of the information he gave, plans were made to arrest the six persons implicated by his story. The following Friday morning, February 4, the Coal and Iron police swooped down on Aleck Campbell, James Roarty, James Carroll, Thomas Duffy, James Boyle and Hugh McGehan. After the arrests had been made, the story of the confession was announced, although Kerrigan's name was not revealed until a week later, when he was brought to Pottsville for the habeas corpus hearings for the prisoners. As he was driven from the station, a crowd gathered to shout at the squealer. An Irish undertaker, who cried, "Drive him into the creek, the son of a bitch," was arrested for trying to incite a riot. Although the newspapers were not allowed to give any of the testimony at the hearings, one reporter did note that the prisoners were upset when Kerrigan took the stand.

With the arrest of the six men accused by Kerrigan, the time had come for more action. Tom Hurley, Mike Doyle, and Friday O'Donnell had already disappeared, and others might leave at any time. Even though there was still no usable evidence against the Sanger-Uren murderers, Gowen's Coal and Iron police seized Charles McAllister and Thomas Munley for the crime. It was given out that these arrests were also based on Kerrigan's confession, but the Hibernians knew that the little Irishman had no knowledge of the Raven Run assassination.

The members of the A. O. H. began searching their ranks anxiously looking for another traitor in their midst. McKenna, still assiduously "sparking" Kerrigan's sister-in-law, Mary Ann Higgins, in Tamaqua—he thoughtfully took along a pint of whiskey for her father—talked on February 16 to Mary Ann and her sister, Mrs. Kerrigan, who told him that when Carroll and the others had been arrested some people had said that he was a detective, but no one believed it, maintaining that Kerrigan was the informer.

McKenna appreciated their confidence in him. He was also interested in Mrs. Kerrigan's plan to pin the Yost murder on her squealing husband. Mary Ann said that Charles Mulhearn would swear that he had sold Kerrigan the pistol used in the murder and suggested that her sister should produce a few cartridges for the gun and say she had found them in his drawer. The detective listened to this proposal with mixed feelings, since he really liked the young Irish girl, but he faithfully reported the plot to his superiors.

The word from the Higgins girls was a warning, however, that he could not play the game out much longer. In fact, his disguise might have been pierced long before had it not been for the simple, trusting

nature of his Hibernian friends. None of his stories to account for his presence in the coal region and his income had been very plausible, and only his rollicking good nature had prevented suspicion arising sooner. Sometime before he had cashed a check from Pinkerton's Detective Agency to James McParlan at a Shenandoah bank, giving the bank employees a clue as to his real identity, which, fortunately, they kept to themselves. After Superintendent Franklin had begun sending information from his reports to the Tamaqua authorities, they also had a good idea that McKenna was a detective. Summaries of the reports were also going to the district attorney of Schuylkill County, who must have guessed the identity of the "inside man."

Such rumors could not long be kept from the ears of the Hibernians. The arrest of Munley and McAllister was the clinching evidence that Kerrigan was not the only traitor in the order. Kehoe heard a report as to the identity of the second informer on the train one day. The conductor called him into the baggage car to ask him if he had seen McKenna lately. Then the railroad man went on to say that he had heard McKenna was a detective. The Girardville saloonkeeper sent his wife down to Pottsville to warn the Hibernians who were gathering there for the Munley-McAllister habeas corpus hearings.

McKenna was startled that morning to learn from his friend Frank McAndrew that men on the train had been making bets that he would go on the stand as a detective. Learning in Danny Hughes' saloon that Kehoe had been sending the word around, he promptly set off for Girardville to brazen the matter out. When Kehoe revealed the source of his information, McKenna demanded that he be tried before a county convention and given a chance to prove his innocence. Kehoe agreed that was fair, and asked him to write out the notices to the bodymasters for a meeting in Shenandoah on March 2.

Meanwhile the rumor that McKenna was a detective was flying all over the county. Some even said that he wanted the special meeting that the Coal and Iron Police might gather in all the leaders at one time. The day before the scheduled convention McKenna met Kehoe in Pottsville and noticed that he seemed anxious to know whether the Pinkerton man was going to Shenandoah that night. He also noted that the county delegate shortly afterwards disappeared from Pottsville.

By this time McKenna was worried enough to see a murderer in every Irishman. When he arrived in Shenandoah on the late train he took it as a foreboding sign that none of the usual welcoming friends were at the station to greet him. Those he met on the street seemed nervous and silent. One, Ed Sweeney, accompanied him to Frank McAndrew's, but McKenna was careful to walk behind him. Once in-

side, Sweeney said he was going home, but soon returned and tossed a piece of snow on McAndrew. The bodymaster, with a look at McKenna, said, "My feet are sore; I guess I will take off my boots." To the suspicious eyes of the detective this looked like a signal of some kind, and on his way home he cut across the swamp instead of taking his usual route.

Next morning only two of the bodymasters showed up for the convention. Determined to find out why the meeting had been called off, McKenna hired a cutter and started for Girardville with McAndrew. On the way the detective's friend informed him that Kehoe had been in town the day before, plotting his assassination. The saloonkeeper had told McAndrew, "For God's sake, have McKenna killed tonight, or he will hang half the people in Schuylkill County." Although the Shenandoah bodymaster had appeared to consent, he assured McKenna, "I do not know whether you are a detective or not, but I do not know anything against you. I always knew you were doing right, and I will stand by you. Why don't they try you fair?"

A mob had been gathered near the station the night before, McAndrew explained, to beat him to death, and a man, named Dennis Dowling, who was riding in the sleigh behind them, had come from Mount Laffee for his assassination. In the state of McKenna's nerves he did not stop to consider the possibility that his friend, convinced he was a detective, might have contrived this story in order to win his protection from the authorities. Instead, he accepted it as confirming his suspicions of Kehoe, but he was not deterred from his plan of facing down the chief Hibernian.

Confronting him in his Girardville saloon, McKenna demanded to know why the trial had not been held. To the detective Kehoe seemed startled to see his intended victim still alive, but he replied that he had decided there was no need for a trial. McKenna boldly responded that he thought so too, since he was entirely innocent of the accusations. The tavernkeeper declared that he had called off the meeting because he had received definite information that McKenna was a detective, and added, "You can go to Father O'Connor and see him about it; you will find it all out. That is all I have to say."

Taking "the opportunity of blowing a little," as he expressed it, the Pinkerton man answered angrily, "I will go to Father O'Connor, but I do not give a cent for any man in this county." At Mahanoy Plane he did not find the priest at home, but a saloonkeeper told him that Dowling had tried to borrow a gun in order to shoot him right there. Back in Shenandoah at McAndrew's home, the bodymaster asked him

to spend the night there instead of going to his boardinghouse. Next afternoon McAndrew told him that it had been lucky he had not gone home, since strangers had been hanging about the boardinghouse all night. Although they had left an old carpetbag behind them as a sign that they were only tramps, McKenna was certain they had been after him.

On March 4 he finally got to see Father O'Connor, who had just returned from Philadelphia. Before he entered the room, he had heard an eavesdropper come into the next room and pull up his chair to the door. The detective was therefore careful to speak loudly so that all his words would be carried to the ears of the other Hibernians. He told the priest that he was James McKenna, the man whom he had done much wrong by representing him as a detective. The report, he went on, had ruined him in the estimation of some of his fellow-citizens, and he would like Father O'Connor to deny it, since it was not true. The priest replied that, although he did not know McKenna, he had heard of him and had been told that he was a detective. While he did not disapprove of the use of detectives to investigate crimes, he was informed that his visitor had had knowledge of crimes before they happened and had not prevented them, in fact, had even taken part in some. Such conduct he had to condemn. Time and again he had warned his people that an evil fate awaited them if they did not mend their ways; now they must suffer the consequences.

McKenna took the occasion to defend the Hibernians in a loud tone for the benefit of the man outside the door. He declared that the order was a good society, unjustly charged with many crimes which it had tried to prevent. To the accusation that he had been seen in Kerrigan's company, he replied that he had merely been courting Kerrigan's sister-in-law, bringing a laugh to the priest's face. Father O'Connor conceded that the priests in Shenandoah and Mahanoy City knew more about the matter than he did. If his guest would see them and convince them that he was not a detective, he would be glad to convey the information to his congregation. McKenna promised to call on the other priests at once.

This, however, he had no intention of doing. Instead, he left for Philadelphia the next morning. As he told Captain Linden, he had concluded that his fellow-Hibernians had had a peep at his hand and the cards were all played. Since his role as a detective had been so fully revealed, his usefulness in the coal region seemed ended.

As it turned out, his usefulness had scarcely begun. When he had undertaken the investigation, he had been promised that he would never

have to testify so that criminals convicted through his efforts would not be moved to reprisals. Now that his mission stood revealed, there was no longer much reason for keeping him off the witness stand. Gowen appealed to Pinkerton to lift the ban on his detective's testimony. Pinkerton left the decision up to the operative, who talked the matter over with the Reading president. Gowen's charm and persuasiveness went to work on the erstwhile McKenna. When Gowen ceased, McParlan sat silent for a full five minutes, then, putting aside his fears of assassination, he promised to return to the coal region and take the witness stand. To guarantee his operative's safety, Pinkerton assigned two officers to act as his bodyguard.

This good fortune gave Gowen the opportunity to exploit the full dramatic possibilities of the detective's adventures. Up to now the trials had been moving along without attracting much attention beyond the immediate vicinity. The trial of Edward Kelly, the second of the Jones murderers, which began late in March, was, in fact, almost dull, since it virtually duplicated the Doyle testimony. The defense attorneys even failed to cross-examine some of the commonwealth's witnesses. The only interesting variation was the clever stratagem of Kelly's lawyers in seating beside him a brother who closely resembled him. This succeeded in confusing one of the witnesses into the wrong identification, but had no effect on the outcome, which was a speedy verdict of murder in the first degree.

Public attention outside the coal region began to be aroused when the *Bethlehem Times* on April 5 printed what purported to be Jimmy Kerrigan's confession. Although its scooped rival, the *Shenandoah Herald*, denounced this document as spurious, the "confession" probably was based on testimony at the habeas corpus hearings. It was, at any rate, sensational. According to the *Times*, Kerrigan said of the Hibernians:

That is the order of the Molly Maguires and nothing else. . . . The Purpose of the Molly Maguires, or A. O. H., is to kill people and burn down dwellings. The notion is that it is to protect workmen, but really they are all of the most hardened villains in the place where they reside. If anyone wants any work done they inform the headman known as "Bodymaster" or president, and he calls a meeting; two or three men are usually appointed to do such work.²

Widely reprinted in the metropolitan newspapers, this "confession" awakened interest in the Molly Maguires. In some quarters it was

² *Philadelphia Inquirer*, Apr. 6, 1876.

assumed that all Hibernians were murderous ruffians. The Bethlehem Steel Company, for example, ordered all its employees who were members to withdraw from the society or be dismissed. The Catholic clergy in dioceses which had tolerated the order now began to denounce it. At a conference of Catholic societies in New York City, the A. O. H. was conspicuously uninvited.

This conception fitted in with Gowen's plan to convict not only the murderers but the organization as well. Having obtained McParlan's consent to testify, he was now ready to put the plan into operation at the first trial held in Schuylkill County. This was on the indictment of James Carroll, James Roarty, James Boyle, Hugh McGehan, and Thomas Duffy for the murder of Yost. Four hours before the defendants were brought in, the Pottsville courthouse was jammed with people who had come to watch the selection of the jury.

No details had been left to chance. A full bench of three judges presided over the court. Aiding the young district attorney, George Kaercher, were Frank Hughes, General Albright, and another Pottsville lawyer, Guy E. Farquhar. The second day Franklin B. Gowen himself appeared to join them. For the defense there were three of the men who had acted at Mauch Chunk, Bartholomew, Ryon, and Kalbfus, with a local Irishman, Martin M. L'Velle.

The jury was chosen with great care by the prosecution. The defending attorneys reflected the change in public opinion since the Doyle trial by their own tactics. Then they had tried to get Pennsylvania Dutchmen on the jury in the hope that their difficulty in understanding English would lead them to vote for acquittal; now they feared they would be so prejudiced that the same difficulty would cause them to vote for conviction. When one talesman, William Becker, said, "I am light on English; I would not understand the witnesses," the defense objected, but he became a juror, nevertheless.

Saturday, May 6, was a day of sensation. In his opening speech the district attorney revealed for the first time that James McKenna, a detective whose real name was James McParlan, would take the stand. The news stunned the prisoners. Carroll looked as if he had been struck by lightning and could scarcely get his breath. Boyle shook like an aspen, and the other defendants became grave as judges. A thrill of excitement and astonishment went through the audience.

When Kaercher had finished his speech, another ripple of rumor ran over the courtroom. The word came in that outside the door eleven persons were being led to jail in chains. Before long the *Shenandoah Herald* was out with the names of all of them—Jack Kehoe, Schuylkill

County delegate, Dennis Canning, Northumberland County delegate, Chris Donnelly, Schuylkill County treasurer of the order, Muff Lawler, of Shenandoah, Pat Butler, the Lost Creek bodymaster, and half a dozen other Mollies. While the charges against the new prisoners were not revealed, the arrests seemed added confirmation of the guilt of the organization.

After Yost's widow and the doctor had established the death of Yost, the name of James McParlan was called. Everyone rushed to the rail to watch the side door. It opened to admit the detective, accompanied by Captain Linden and his two bodyguards. Dressed in the height of fashion, he presented a strange contrast to those who had known him as the rowdy James McKenna.

Sworn as a witness, he answered the questions in a straightforward manner, without hesitation, outlining the background of the Yost murder as he had learned it. Probably by intention, he made his story favorable to Kerrigan, and said that it was Duffy who had wanted Yost killed. That was sufficient evidence for the purposes of the trial, but Gowen wanted to go farther and bring out all the facts that had been learned about the Hibernians.

When the defense objected to this line of proof, Gowen had his first opportunity to denounce the Mollies in court. He vehemently asserted that he would make the order in Schuylkill County so odious that to have belonged to it would be *prima facie* evidence of guilt. The very courthouse was full of Mollies, he declared. He would show that one of the county commissioners was a member of the order and that another member had been placed in charge of the jail where the prisoners were kept. The fallacy in Gowen's reasoning was as usual so concealed by his oratory that it was not apparent even to him. The evidence to be offered would not prove that every member of the Hibernians was cognizant of the murderous acts of the other members and therefore equally guilty; it would, in fact, prove quite the opposite. Nevertheless, the presumption had been created in the public mind that membership in the Hibernians was evidence of guilt, as Gowen had stated.

Once the judges had agreed to admit this line of testimony, revelations followed swiftly. Having whetted its appetite for sensation on Kerrigan's confession, the public now had a chance to gorge itself. In the papers people read how McParlan had said that the general practice and only object of the A. O. H. in Schuylkill County was to protect and avenge its members. A member stated his grievance to his bodymaster and such fellow-members as were considered trustworthy

If vengeance were considered justified, the bodymaster selected some member of the division unknown to the party to be injured, or asked another bodymaster for men. Gradually McParlan unfolded the whole tale of his adventures in the coal regions. It was, as it has been ever since, romance of the first water. Newspaper readers snatched up the story with avidity, and editors who had ignored it hastily dispatched their best reporters to Pottsville.

The defense attorneys used all their skill in attempts to impugn McParlan's character and his testimony. They combed his background and could find nothing worse than that he had changed jobs frequently. When they charged that he had been motivated by prospects of financial gain, he explained that he was barred from receiving any reward, other than his salary of twelve dollars a week and expenses, which went on regardless of what he discovered. John Ryon's accusation that he had instigated crimes and failed to prevent them found him on more shaky ground. In his efforts to establish a villainous character, he had come perilously near to provoking crimes, if he had not actually done so. Whenever an attempt to inform the authorities of a murder plot would have endangered his own life, he had not made it. Nevertheless, all the ability of the lawyers for the prisoners could not shake him. When one of them tried to confuse him over the details of similar conversations in Carroll's saloon on the 4th and 24th of August, he replied, "Mr. Bartholomew, you keep running between the 4th and the 24th, but you don't shake the evidence a bit."

When McParlan stepped down on Wednesday, May 10, after four days of testimony, he had, according to one courtroom observer,

created the impression that he has done a splendid work. By his coolness, deliberation, carefulness and positiveness he has proven himself the sharpest and best witness ever on the stand in the Courtroom. He has doubtless created an ineffaceable impression on the jury.³

Following a succession of witnesses, who showed mainly that the three out-of-town defendants had been in Tamaqua on the day of the shooting, came the second star of the trial. Once more necks craned to see the entrance of Jimmy Kerrigan, clad in a new suit and quite pleased over his unwonted prominence. The little Irishman told the full story of that fatal July 5 from the time he had taken his two little boys out before breakfast to hear the band play until Yost's screams were echoing in the night.

³ *Miners Journal*, May 11, 1876.

Jimmy was careful to transform himself from the ring-leader he had been into an innocent tool. Only after he joined the Hibernians, he said, had he found out what a villainous organization it was. He explained away his position as bodymaster by saying that he had been acting for Jim Carroll. It was not he, but Tom Duffy, who had wished the policeman killed. He told his own version of the brawl which had furnished the motive for killing Yost. In his story he and Duffy had been quietly taking home a drunk when another Irishman named Flynn started a fight with them. In the ensuing melee Flynn knifed Jimmy, and the two innocent escorts of the inebriate were hauled off to jail by the Tamaqua officers. Duffy, protesting that he was sober, received a dressing down from Yost's club. Next day Duffy had said: "Never mind; for what we have suffered we will make Yost's head softer than his ass." Jimmy did not mention that he himself had been arrested by Yost half a dozen times and also had good reason to hate the officer. Since Duffy had been in bed while the little Irishman was going around to nearby saloons to borrow a gun and leading the murderers to the scene of the crime, Jimmy said Carroll had made him do that.

Kerrigan as a witness was a different matter from McParlan. He had been in actual fact what the detective had pretended to be. Moreover, he was notorious as a liar, and was obviously not telling the complete truth. He had, in fact, amended his story somewhat since the habeas corpus hearings, and the lawyers brought in their record of that testimony to confuse him. Nevertheless, Kerrigan had been careful to make his statements accord closely with the facts, save for the under-emphasis of his own role, and the lawyers did not succeed in making him contradict himself.

In their side of the case the defense attorneys set out to prove that Kerrigan had murdered Yost, that the prisoners had not been where the Commonwealth said they were, and that the testimony offered by Kerrigan and McParlan was false and contradictory. This was probably the best they could offer, but it was not very convincing. When witnesses testified that James Boyle had been at home in Summit Hill on the night of July 5, Gowen endeavored to bring out that they belonged to the Hibernians. The defense objected that this testimony was irrelevant, but Gowen made an impassioned plea to the bench, declaring that enough had already been proved to convict every member of the organization of murder in the first degree. The court sustained his question and, when the witnesses admitted their membership, Gowen interpreted that as evidence that they were lying in their testimony.

When Mrs. Kerrigan appeared with the story she and her sister Mary Ann had contrived, it was anti-climactic, since McParlan had already

described that plot. She tried as hard to prove her husband guilty of the murder as he had to prove himself innocent. Although her testimony was true in many of its details, it collapsed under cross-examination. When Gowen questioned her about the detective's visit on February 16, she denied that he had been there. After each question she appeared to hesitate before answering. To Gowen's inquiry as to the reason for the pause she replied that it was her heart trouble, whereupon the attorney aroused a gale of laughter by asking, "How is it you never get heart disease when Mr. Ryon questions you?"

Before the defense had a chance to complete its case, the trial had to be suspended. One of the jurors, a young Pennsylvania Dutch farmer named Levi Stein, had caught pneumonia. His death a week later on May 25 caused a mistrial, and the case had to lie over until the next term of court. Some of the uneducated defendants thought this meant they would go free, but the dismissed jurors all agreed that on the basis of the evidence they had heard they would not have had the slightest hesitation in bringing in a verdict of guilty against all five of the defendants.

The effort Gowen had put into the trial had not been wasted. The testimony brought forth had convinced the public of the guilt of the Ancient Order of Hibernians. Commented the *Miners Journal*, which less than a year before had been scoffing at the Molly rumors:

When Detective McParlan took the stand, and revealed the secrets of the mysterious organization known as "Molly Maguires," even those who had had most experience of their lawless acts were astonished and terrified. Men realized as they had never done before by how slender a thread they held their lives, and as he proceeded with his story the wonder grew, not that so many men had been killed by the Mollies, but that so many had escaped them. Though long talked about and believed by the community generally, there were many who had never been satisfied of the existence of this crew of cut-throats, while those who most firmly believed in their existence were not prepared for a story of such diabolical crimes as the witness swore to. These lawless wretches seem to have thrown aside all restraint, all respect for law and for the opinion of mankind, and all dread of consequences, and given themselves up to the unrestrained indulgence of their own evil passions.⁴

Overlooked in the general hysteria was the long period of comparative quiet that had preceded McParlan's arrival, the singular ineptitude of the would-be assassins as described by the witnesses. The public had accepted Gowen's charge that a member of the Hibernians was by that very fact a criminal. Convictions thereafter would come easily.

⁴ May 19, 1876.

CHAPTER X

THE MOLLIES IN COURT

Outside of the coal region the sensational aspects of the case created a journalistic field day. Belatedly awakening to what was going on, the Philadelphia *Inquirer* denounced the Molly Maguires as "red-handed assassins," and ran two long background articles on the organization. Although no source was revealed, they bore the imprint of Gowen's theories. Highly colored and inaccurate, they called John Siney, who had worked seven years in the mines, "a pettifogger who had never handled a pick in his life," and said that he had organized the "National Labor Union" during the Civil War, which was not only wrong but irrelevant. They declared that Molly Maguireism had become rampant at the time the Coal and Iron Company was formed, which was exactly the time it had been least noticed.

This publicity also cleverly, if unwittingly, transferred the opprobrium now attached to the Hibernians to the late union. Following Gowen's reasoning, the articles charged that the Molly Maguires had dominated the W. B. A., that they controlled the local government, that they had organized and maintained the strike of 1875 by appropriating public funds for the relief of the idle miners—this was an especially sore point with Gowen, since his company paid most of the taxes which went to support the strikers.

Of these accusations, only the claim that the Mollies managed the local government had any relation to the facts. It was true that the Hibernians had been a powerful political factor and had elected members to office, but they had never dominated the local government. Nor had many members of the order risen to positions of leadership in the union, although all who worked in the mines had been compelled to join. The heads of the W. B. A., in fact, had done their best to control the radical element represented by the Hibernians.

A frightening picture of conditions in the coal region was painted by the *Inquirer*:

To recite the outrages of which President Gowen's company and its employees were the victims would be to print a volume of murder, plunder and incendiarism, which, for fiendish violence, would read like a romance. Threatening notices made fences, trees and houses hideous with their brutal devices. . . . Scarce a

day passed without its blood-curdling tragedy. Men who were tired of idleness, and would gladly have gone back to work, dared not. To labor was to provoke the wrath of the Mollie Maguires. Next came an order to leave the region, or a bullet, which cut short the offender's life. Breakers were fired, store houses robbed, workmen butchered, guards shot, and anarchy reigned supreme.¹

This conception that the Mollies had been responsible for the violence of the strikes was also to become part of the tradition. It was a charge which Gowen had frequently made and was often to make again, despite the lack of much evidence other than his own firm conviction.

While publicity in the metropolitan papers could have little effect on the outcome of the trials, it was the kind of meat on which Gowen thrived. Most of the publicity, however, was still to come, since the Order of Hibernians had not yet been formally convicted. On Tuesday, June 20, Alexander Campbell was brought to trial in Mauch Chunk, charged as an accessory before the fact in the murder of John P. Jones. By this time it was impossible to find twelve men who had not already formed some kind of an opinion on the case; several of the jurors admitted that they had an opinion, but thought it could be changed by the evidence. After ninety-seven witnesses had quickly repeated the story they had told in the Doyle and Kelly trials, the Pottsville show was repeated for the Mauch Chunk audience. The defense objected to the admission of Kerrigan's testimony, since he was under indictment as an accomplice, but they were overruled. The little Irishman again told his story, in which he figured as Campbell's innocent tool. McParlan appeared next, followed by two added attractions, Captain Linden and Superintendent Franklin. Only Kerrigan and McParlan, both admitted accessories, could give any proof of Campbell's complicity but that was enough. As the *Miners Journal* said:

The solid men, the ones with the cash; the heavy men; the men of influence, reputation and respectability are all delighted; nothing more, nothing less. They believe Campbell is guilty; none but Mr. Kalbfus (and he probably don't in his own mind), thinks he is not. They believe Kerrigan tells the truth from beginning to end, keeping back nothing; not injuring himself more than he can help, but telling the whole truth in regard to others.²

The defense did its best to prove that Kerrigan, Doyle, and Kelly had not been in Campbell's saloon on the night before the murder. One witness, apparently too well-drilled, created some amusement by taking

¹ May 20, 1876.

² June 26, 1876.

the stand and immediately beginning: "On that day about two o'clock I was at Campbell's—." Lawyer Kalbfus hastily stopped him and asked the question he was supposed to answer. Such efforts were entirely too feeble for the opposition of public opinion. The jury brought in a prompt verdict of guilty of murder in the first degree on Saturday night, eleven days after the trial had begun.

Even before Campbell's conviction, Thomas Munley had been brought into court at Pottsville to be tried for the murder of Sanger and Uren. The case against Munley was slim, consisting only of his admission to McParlan of his guilt and some rather dubious identifications by persons who had seen the crime. Out of twelve eye-witnesses examined in one day, only two were able to say that Munley had been one of the murderers. One of these was a woman who had not been subpoenaed, but who had seen the profile of a man passing her house that morning with a pistol in his hand. When she told friends that she had recognized Munley in the courtroom as that man, she was put on the stand.

Taking heart, the defense once again attempted to establish an alibi. Munley's father, brother, and sister testified that he had been at home on the morning of September 1. When his brother told how Thomas had been washing his face that morning, Gowen asked him for other details, all of which he could recall very clearly. Then the attorney confused him by asking what he had for breakfast on September 2 and 3 and 4. Young Michael explained that he could remember September 1 because that was the day of the Sanger murder. In that case, asked Gowen, what did you have for breakfast the morning Jones was shot? The witness confusedly replied that he did not recall. The father, put through the same performance, contradicted the son on various details.

Little more success crowned the efforts of the defense to attack McParlan's character. Ned Monaghan, of Shenandoah, ex-constable, ex-Hibernian, and ex-friend of the erstwhile McKenna, took the stand to tell the worst he knew. He declared that at the Hibernian ball in Shenandoah the previous autumn McKenna had talked about killing Tom Fielders, *Herald* reporter, and tossing him out of the window. On another occasion, he said, his constabulary duties had required him to arrest the detective for stealing a watch and fighting with a peddler. He also remembered that at the meeting which had been held to decide on the death of Thomas, it had been McKenna who had done most of the talking and who had said he had come to settle Bully Bill.

While the constable was on the stand, this testimony sounded damaging. The Commonwealth, however, promptly called Tom Fielders to state that Monaghan had not said anything about McKenna the night

of the ball. Other witnesses explained away the story of the arrest by showing that another person had taken the peddler's watch for a joke, and the peddler had blamed the theft on McKenna, who, knowing nothing about the incident, had become angry. The net result of this attack on the detective was that Monaghan himself was promptly arrested for his admitted attendance at the meeting to decide the fate of Bully Bill.

The defense attorneys endeavored to make the most of the prosecution's weak case. Martin L'Velle, the Irish Catholic, rang the charges of religious and racial persecution, of the struggle between capital and labor. He pointed out that no Irishman had been allowed to sit on the jury. Lin Bartholomew stressed that, although evidence had been introduced to show the criminal character of the Hibernians and Munley's connection with the order, there had been none to show any connection between the society and the shooting of Sanger.

Whatever effect these arguments might have had on the Pennsylvania Dutch farmers on the jury, it was swept away by the tornado of Gowen's concluding speech on July 12. First giving an account of the shocking details of the murder, he turned to the alibi offered by the prisoner and ripped it to pieces. After showing that Michael Munley had said he had ham for breakfast on September 3, he triumphantly pointed out that September 3 had been a Friday, when no Catholic would eat ham. The young witness jumped up to deny the statement and was removed from the courtroom while Gowen read his evidence as proof of his charges. The lawyer went on:

. . . now that the light of day is thrown upon the secret workings of this association, human life is as safe in Schuylkill County as it is in any other part of this Commonwealth; that as this association is broken down and trampled into the dust, its leaders either in jail or fugitives from the just vengeance of the law, the administration of justice in this court will be as certain as human life is safe throughout the whole length and breadth of the county. The time has gone by when the murderer, the incendiary, and the assassin can go home reeking from the commission of crimes, confident in the fact that he can appear before a jury and have an alibi proved for him to allow him to escape punishment. There will be no more false alibis in this county; the time for them has gone forever.³

Going back to the days when he had been district attorney in Schuylkill County, Gowen said that it was then that he had decided that a secret criminal society existed. He explained:

I left this county with that settled conviction, and circumstances that occurred time and again, long after I withdrew from the

³ Pinkerton, *op. cit.*, p. 511.

prosecution of criminals, still more deeply fastened this conviction in my mind. Murder, violence, and arson, committed without detection, and apparently without motive, attested the correctness of that belief, and when the time arrived that I became so much interested in the prosperity of this county, and in the development of its mineral wealth, that I saw that it was a struggle between the good citizen and the bad citizen as to which should obtain the supremacy, I made up my mind that if human ingenuity, if long suffering and patient care, and toil that stopped at no obstacle, and would confront every danger, could succeed in exposing this secret organization to light of day, and bringing to well-earned justice the perpetrators of these awful crimes, I would undertake the task.*

To insure that no evidence was manufactured in the hope of securing a reward, he had arranged with Pinkerton that his detective's compensation should not vary, no matter what his discoveries. Since McParlan had been promised that he should not be called to the witness stand, and his only purpose was to obtain advance notice of crime so that murderers might be caught in the act, the charges made by the defense that he had withheld information in order to allow crimes to be committed could not be true.

Answering L'Velle's accusation that all these crimes had been committed since McParlan's arrival, he leaped nimbly over the years of quiet which had immediately preceded the advent of the detective and recited the murders of the mid-sixties. He asserted:

These coal fields for twenty years, I may say, have been the theatre of the commission of crimes such as our very nature revolts at. This very organization that we are now, for the first time, exposing to the light of day, has hung like a pall over the people of this county. Before it fear and terror fled cowering to homes which afforded no sanctuary against the vengeance of their pursuers. Behind it stalked darkness and despair, brooding like grim shadows over the desolated hearth and the ruined home, and throughout the length and breadth of this fair land there was heard the voice of wailing and of lamentation, of "Rachel weeping for her children and refusing to be comforted, because they were not." Nor is it alone those whose names I have mentioned—not alone the prominent, the upright, and the good citizen whose remains have been interred with pious care in the tombs of his fathers; but it is the hundreds of unknown victims, whose bones now lie mouldering over the face of this county. In hidden places and by silent paths, in the dark ravines of the mountains, and in secret ledges of the rocks, who shall say how many bodies of the victims of this order now await the final trump of God? And from those lonely sep-

* *Ibid.*, p. 512.

ulchres, there will go up to the God who gave them the spirits of these murdered victims, to take their places among the innumerable throng of witnesses at the last day, and to confront with their presence the members of this ghastly tribunal, when their solemn accusation is read from the plain command of the Decalogue, "Thou shalt not kill."⁵

In reply to the charge that McParlan had allowed Thomas Hurley and Michael Doyle to escape, he declared that neither had escaped.

There is not a place on the habitable globe [he said] where these men can find refuge and in which they will not be tracked down. Let them go to the Rocky Mountains, or to the shores of the Pacific; let them traverse the bleak deserts of Siberia, penetrate into the jungles of India, or wander over the wild steppes of Central Asia, and they will be dogged and tracked and brought to justice, just as surely as Thomas Munley is brought to justice today.

. . . the time will come, be it short or be it long, be it months or be it years, when every single murderer then living on the face of this earth, who had committed a crime in this county, since April, 1874, will answer for that crime before the presence of this court. "The race is not always to the swift, nor the battle to the strong." Those who see what we are doing now have seen but little; for it is only the opening of the book of this vast conspiracy, and behind the meaner men who shot the pistol there stand others far more guilty than they who, with them, at some time will be brought to justice. . . .⁶

In Ireland, he explained, the Molly Maguires had been a terroristic organization. He did not know how the society had come to Schuylkill County, but he did know that it was criminal in character. The arrest of the county delegate had proved that the whole organization was guilty. As to the charge that these men were being persecuted for their race,

I shall say but little about the Irish, except that I am myself the son of an Irishman, proud of my ancestry, and proud of my race, and never ashamed of it, except when I see that Ireland has given birth to such wretches as these! These men call themselves Irishmen! These men parade on St. Patrick's Day and claim to be good Catholics! Where are the honest Irishmen of this county? Why do not they rise up and strike down these wretches that usurp the name of Irishmen? . . .

⁵ *Ibid.*, pp. 515-516.

⁶ *Ibid.*, pp. 517-518.

The time has come when every honest Irishman in this county must separate himself from any suspicion of sympathy with this association. He must denounce its members as outcasts from the land that gave them birth. He must denounce them as covered with infamy and blackened with crime. He must say they are not true Irishmen and that they are not representatives of Ireland.⁷

To say that these men were being persecuted for their religion was sublime impudence, he asserted, since they had been excommunicated by their church. The Archbishop himself had fully known of the detective's mission. Here Gowen paused to preach the tolerance his father had taught him. The Irish or the Catholics should not be blamed for the acts of this order. "Do not forget that whatever little credit may be due to him who has conceived the plan of exposing this association," he said with becoming modesty, "is due to one who is the son of an Irishman." Moreover the man who had carried out the investigation was an Irishman by birth and a Catholic by religion.

Gowen described what conditions had been like :

And now let us look to society in this county, as it was three months ago, when men retired to their homes at eight or nine in the evening and no one ventured beyond the precincts of his own door; when every man engaged in any enterprise of magnitude or connected with industrial pursuits left his home in the morning with his hand upon his pistol, unknowing whether he would again return alive; when the very foundations of society were threatened.

...⁸

The audience might have been startled at these words, since none of them could remember such a state of affairs, but their attention was riveted too quickly by his next move. Throwing down the gauntlet, he boldly dared the Mollies to assassinate him. "Is there a man in this audience," he asked, "looking at me now, and hearing me denounce this association, who longs to point his pistol at me? I tell him that he has as good a chance here as he will ever have again."

Reverting for the moment to the case he was supposed to be discussing, he demonstrated that McParlan's testimony had been corroborated by other witnesses and that the failure of persons who had seen the crime to identify Munley was meaningless. McParlan's testimony reminded him how he had felt when it became possible for the detective to appear as a witness :

Then I saw that some miraculous interposition of providence had been vouchsafed to permit us to use the testimony and the

⁷ *Ibid.*, pp. 520-521.

⁸ *Ibid.*, p. 524.

knowledge of this man McParlan. Then I breathed freer, and trod with elate step; then I knew that I had within my hands the power to crush these villains; then, and on the day when he took his place upon the witness stand, I took my seat at the table as counsel for the Commonwealth, and the warrants were executed which consigned to the prison every one of these criminals, with the exception of one or two and of those who had run away when Jimmy Kerrigan turned State's evidence. When, in all the history of criminal jurisprudence, did ever such a change of society come over a county as that which came over this county on the morning that McParlan first became a witness, and on the morning when Jack Kehoe, the County Delegate, with twelve or fifteen other men, handcuffed to a chain, were marched from the high places they had occupied to take their solitary cells as felons within the walls of your prison?

. . . Then we knew we were free men. Then we cared no longer for the Molly Maguires. Then we could go to Patsy Collins, the Commissioner of this county, and say to him: "Build well the walls of the new addition of the prison; dig the foundations deep and make them strong; put in good masonry and iron bars, for, as the Lord liveth, the time will come when, side by side with William Love, the murderer of Squire Gwyther, you will enter the walls that you are now building for others." Then we could say to Jack Kehoe, the high constable of a great borough in this county: "We have no fear of you." Then we could say to Ned Monaghan, chief of police, and murderer, and assassin: "Behind you the scaffold is prepared for your reception." Then we could say to Pat Conry, Commissioner of this county: "The time has ceased when a Governor of this State dares to pardon a Molly Maguire—you have had your last pardon." Then we could say to John Slattery, who was almost elected judge of this court: "We know of you that it were better you had not been born than that it should be known." Then all of us looked up. Then at last we were free, and I came to this county and walked through it as safely as in the most crowded thoroughfares of Philadelphia.⁹

The spellbound listeners did not pause to recall that Gowen had walked through the streets of Pottsville thousands of times before May 6 with equal safety. Their ears were intent as he took up the charge that this trial was the old story of capital against labor:

. . . I now stand here on behalf of the laboring people of this county, the people who have suffered more throughout the length and breadth of this land by the actions of these men than any other—I stand here to protest, with all the power that God has given me, against the monstrous assumption that these villains are the representatives of the laboring people of Schuylkill County. . . . Two or three hundred assassins have given a name to the whole people

⁹ *Ibid.*, pp. 531-533.

of this county, and now, when they are put upon trial for murder, they say it is the old story of capital against labor . . . on every occasion in which I had to take any public part in the conflicts between capital and labor, I have taken pains to assert my belief that the laboring people of this county were as upright, as honest, as law-abiding, and as moral as those of any other community in the state. I took the pains to show that there was a secret association banded together for the purpose of committing outrages which had given a notorious character not only to the laboring people of the county, but to the whole county itself.¹⁰

Telling the jury how he had buckled on his harness for this glorious crusade, he moved into his peroration :

My friend, Mr. L'Velle, makes a plea to you for mercy. He pleads to you for the mother and the wife of this prisoner, and he asks you to let mercy enter into your hearts, and to restore this prisoner to his home. Are there no others who plead for mercy? Have I no clients asking mercy at your hands? Why is this young woman made a widow in the early morning of her life? What crime had her husband committed that he was shot down like a dog? Oh, she pleads to you for mercy, more eloquently, even if more silently, than any one on behalf of the family of this prisoner. I plead to you on behalf of the whole people of this county. I plead for mercy on behalf of the whole people of this state. On behalf of the orphans, the fatherless, and the widows, whose protectors have been stricken down before you, I plead to you for mercy. I invoke the spirits of the dead, and ask them silently to pass before you in this court-house. I invoke the spirits of Dunn, of Littlehales, of Muir, of Smith, of Rae, and the many victims of this foul conspiracy, to aid me in pleading for mercy. I ask you to listen to the cries of the wounded, to the shrieks of the dying, and the mournful funereal wailings over the bodies of the dead. If I close my eyes I hear voices against which you cannot close your ears, and which are pleading for mercy, oh! so strongly that my poor words are but as the empty air. . . .

Oh! gentlemen, I beg to you for mercy, but to this prisoner let it be such mercy as the father, whose slaughtered infant lies beside him, gives to the wolf that has mangled the corpse; such mercy as the seed of the woman bestows upon the serpent whose head is crushed beneath its heel; and when you yield such mercy to assassins such as these, you yield a mercy and grant a protection to society at large, which looks to you now as its only refuge.¹¹

For three hours the crowd which filled every available space in the courtroom had been following his words with breathless interest. His

¹⁰ *Ibid.*, pp. 535-536.

¹¹ *Ibid.*, pp. 538-539.

matchless voice, backed by the enthusiasm of his sincere belief that he was leading a crusade for justice, had carried his listeners away. Still under his spell, the jury came back within an hour with a verdict of guilty of murder in the first degree. The speech was printed in pamphlet form, and thousands of copies sold.

There was much more excitement to come. The second trial of the Yost murderers had already begun, with Duffy missing from the defendants this time, since he had requested a separate trial. The defense demanded a change of venue, on the plausible grounds that it was impossible to secure an unbiased jury in Schuylkill County, but they were overruled. The trial moved over the same grounds as before to its foregone conclusion. The only surprise was that the jury took over three hours to reach its verdict of guilty.

The next big show came two weeks later on August 8, when Jack Kehoe himself, along with eight co-defendants, was brought into court, charged with assault and battery with intent to kill William M. Thomas. Two other defendants, Tom Hurley and Mike Doyle, had made good their escape. By this time out-of-town people had awakened to the dramatic performance, and visitors came from all over the State to watch the proceedings. Even artists from the illustrated journals of New York City were on hand to make sketches for their papers.

Of the prisoners in the box only John Morris and John Gibbons, both of Shenandoah, were charged with making the assault on Bully Bill, along with the two missing defendants. The other seven were indicted as accessories before the fact for their part in the meeting of the bodymasters in Mahanoy City on June 1, 1875, at which it had been decided to attack Thomas. Besides Kehoe, they were Dennis Canning, Northumberland County delegate, Christopher Donnelly, treasurer of the order in Schuylkill, "Yellow Jack" Donahue, Tuscarora bodymaster, Michael O'Brien, Mahanoy City bodymaster, and Frank McHugh, secretary of the same division, and James Roarty, Coaldale bodymaster, who had only a perfunctory interest in the trial, having already been convicted of the killing of Yost.

The chief witness for the Commonwealth was McParlan, the only person present at the June 1 meeting not under indictment except William Gavin, the county secretary, who had disappeared. The defense tried to confine the testimony to the specific charges against the prisoners, but the prosecution succeeded in introducing evidence as to the criminal character of the Hibernians, although it was hardly likely that there was anyone on the jury, in any case, who had not already heard the story. McParlan told his story carefully, and the defense was unsuccessful in its efforts to confuse him.

His testimony alone would scarcely have been sufficient for conviction if it had not received unexpected corroboration. The prisoners were startled to hear the name of Francis McHugh called as a witness. Attorney L'Velle jumped up to object that this man was one of the defendants and therefore not qualified to testify, but he was overruled. Young McHugh explained that he had come to the conclusion that his fellow-defendants would all be better off to plead guilty, and he had decided to appear as a witness in the hope of lightening his sentence. Although he had not noticed much of what had gone on in the meeting, he confirmed McParlan's general story.

Another sensation was the appearance of the warden of the county jail. He was brought in solely to report that Kehoe, while in prison, had said to him, "If we don't get justice, I don't think the old man at Harrisburg will go back on us." This implication that Governor Harranft would pardon the Mollies caused astonishment in the courtroom, although it had been well known in Schuylkill County the previous fall that certain Irish leaders, including Kehoe, had made a deal with the Republicans to support their candidate for governor against Judge Pershing, and that an embezzling Irish county commissioner had already been pardoned, along with his two Pennsylvania Dutch colleagues. The defense objected that this testimony had nothing to do with the case, but Gowen maintained that it was a tacit admission of Kehoe's guilt. His real purpose in getting it into the record, of course, was to make it politically impossible for any of the convicted Hibernians to obtain pardons.

The lawyers for the prisoners did not attempt to contradict the testimony offered about the June 1 meeting. Some of the defendants might have taken the stand to show that McKenna has been the instigator of the crime—Canning later declared that only the detective and Kehoe had been in favor of murder—but that would merely have confirmed their own guilt. The defense brought in a number of witnesses to testify to the good character of the prisoners. Each one the prosecution asked, "Did you not hear that he was a Molly Maguire?" Since the Molly Maguires had now been established in public opinion as a wicked organization, the witness had to admit that he had heard something bad about the prisoner in question, thus contradicting his previous statement that the prisoner had a good character.

This time Gowen was the first to address the jury. He told them that they were trying the Order of Hibernians for its life. Going entirely beyond the evidence in this or any other case that was to be tried, he

charged the society with what a later generation was to call racketeering, declaring its purpose

was to get the benefit of and use and enjoy the property of others without owning it, and without paying for it. The purpose was to make the business of mining coal in this county a terror and a fear; to secure for the leading men in this society profitable positions, and the control of large operations at every colliery. The purpose was to levy blackmail upon every man engaged in industrial pursuits in this county, so that the owners, under the terror which this organization had acquired, would gladly purchase peace and immunity, by having one or two, or more, of these men in prominent positions in every colliery, and employ as many of their confederates, members of this organization, as possible, to protect their property from the villainy of their own Order.¹²

In referring to the alleged discrepancies between McParlan's and McHugh's testimony, he asserted that that was the very sign of its truth, citing the differences between the four Gospels as an example. He averred that he had tried to protect the lives of the Molly assassins from the vigilantes because he wanted them tried in court, and reminded the jury that the prisoners were likely to be lynched if acquitted.

The speech failed to reach the heights of his brilliant masterpiece in the Munley case, but oratory was no longer needed. Although the defense pleaded with the jury not to be swayed by the excited state of public opinion, a verdict of guilty as charged was returned in twenty minutes, with a recommendation of mercy for Frank McHugh.

Fortunately for the defendants, Bully Bill had survived the erratic aim of his assassins, and the worst sentence they could receive was seven years in jail. Gowen and his cohorts were not yet finished with them, however. All of the defendants except Morris and Gibbons were promptly brought back and tried all over again for conspiracy to murder the Majors. The preceding trial was repeated over the protest of the defense attorneys that this was part of the conspiracy for which the prisoners had already been convicted. The only variation was that Jimmy Kerrigan, by virtue of having been one of the party assigned to shoot the Major brothers, was this time able to appear on the stand and enjoy another bask in the limelight of publicity. The return of the jury's verdict permitted the court to add seven more years to the defendants' terms.

On August 17 another mass trial brought up a new set of Hibernian officers. Besides O'Brien, Donnelly, Donahue, and Roarty, the defend-

¹² *Report of the Case of the Commonwealth vs. John Kehoe et al.* . . . (Pottsville, 1876), p. 177.

ants included Patrick Dolan, Sr., Big Mine Run bodymaster, Francis O'Neill, head of the St. Clair division, and Patrick Butler, bodymaster for Lost Creek. Three others named in the indictment, Gavin, the county secretary, Frank Keenan, head of the Forestville division, and Jeremiah Kane, Mount Laffee bodymaster, had escaped the clutches of the law. They were charged with aiding and assisting to reward Thomas Hurley for the murder of Gomer James at the meeting in Tamaqua on August 25, 1875. McParlan was the chief witness for the Commonwealth, telling his story of the Tamaqua meeting and the subsequent arbitration between him and Pat Butler which gave the credit for the murder to Hurley.

The defense this time tried the experiment of putting the prisoners on the stand in their own behalf, but this proved even more damaging than their silence. Butler, without informing his own counsel, had arranged to confess under cross-examination. Following the Kerrigan pattern, he told a lengthy tale of crimes contemplated by the Hibernians, most of which had failed, picturing himself as a misguided tool, and insured the jury's verdict of guilty. Pat's parents denounced him as a squealer, and the indignant contributors to his relief fund demanded their money back.

CHAPTER XI

REIGN OF TERROR

In spite of the universal condemnation by the Irish community, still other informers were yet to be found, who were willing to save their own necks at the expense of others'. Each new confession brought new prisoners into the prosecution's net until Jack Kehoe's prediction that McParlan would hang half of Schuylkill County seemed near fulfillment. Even the women and children did not escape. Mrs. Bridget Hyland, Barney N. Boyle, aged twenty, and sixteen-year-old Kate Boyle, were convicted of perjury for attempting to provide James Boyle with an alibi. James Duffy, Barney Hayes, and John McShea likewise received jail sentences for the same offense, and Munley's brother Michael was arrested for his testimony at the trial.

These perjury arrests were calculated to make the task of prosecution easier by deterring any further attempts to provide false alibis. In fact, in the current state of public opinion, it would have been dangerous for a witness to contradict Commonwealth testimony even when he was telling the truth. So firmly had Gowen planted his conception of the Molly Maguires in Schuylkill County that juries automatically accepted the Commonwealth's evidence when it disagreed with the testimony offered by the defense.

The trial of Thomas Duffy on September 6 demonstrated the success of Gowen's propaganda. McParlan, who had not even known Duffy, could offer no direct evidence against him. Kerrigan, the chief witness for the prosecution, declared that Duffy had offered Roarty ten dollars to kill Yost, but Kerrigan was a notorious liar, who even contradicted himself on the witness stand. The most damaging evidence against the prisoner was the fact that he had stayed at Carroll's the night Yost was shot, allegedly to provide himself with an alibi. Even the vindictive Shenandoah *Herald* conceded that an acquittal was expected, but the jury brought in a verdict of guilty of murder in the first degree.

Ned Monaghan, having admitted in the Munley trial that he had attended the meeting at which McParlan had selected men to murder Thomas, was easy to convict. Thomas Donahue was indicted for complicity in the shooting of Bully Bill on the grounds that he had driven one of the assassins to the station when he was leaving the county.

Although he declared that he had not known of the attack on Thomas until after he returned from the trip, he was convicted, probably because he had a bad reputation.

Muff Lawler, tried for complicity in the Sanger-Uren murder, turned informer and told the full story of that crime as well as others. In spite of his confession, the confused jury failed to reach a verdict, but a second trial convicted him. When Charles McAllister was brought into court, McParlan got a good look at him for the first time and discovered that he was not the man who had taken part in the shooting of Sanger and Uren. The real culprit had been his brother James, who closely resembled him. James unfortunately had fled the country, following the Wiggan's Patch lynching. Charles did not escape prosecution, however. He was charged with shooting James Riles in Shenandoah. The only evidence against him was an identification by Mrs. Riles, who might easily have mistaken him for his brother. Nevertheless, although his mother-in-law testified that he had been at home on the evening of the attempted murder, he was convicted. Later, however, he was granted a new trial and acquitted.

The case of the four men implicated by Kerrigan's testimony in the Major conspiracy trial brought more confessions. Two of the defendants, J. J. Slaterry and Charles Mulhearn, turned State's evidence and gave damning testimony against the Hibernians. For the first time one of the prisoners was acquitted when witnesses testified that John Stanton was not the Stanton who had taken part in the crime. The fourth defendant, Michael Doolin, was convicted.

With the aid of these new informers the murder of Morgan Powell in Summit Hill on December 2, 1871, was solved. Mulhearn declared that he had gone along with Yellow Jack Donahue and Matt Donahue for the murder, although, he protested, he had not known that crime was contemplated. Yellow Jack had been promised one hundred dollars for the shooting by Thomas Fisher, the Carbon County delegate, but received only thirty. Fisher, it was said, had procured the murder at the request of Patrick McKenna, the Summit Hill bodymaster, who had been asked by Aleck Campbell to have Powell killed for refusing him a job as a miner.

The chief witnesses for the prosecution were the squealers, Mulhearn, Kerrigan, and Slaterry, with the addition of a new recruit, Cornelius T. McHugh, who had acted as a guide for the murder party. Despite the dubious character of these witnesses, Jack Donahue, Campbell, and Fisher were all convicted of first degree murder. McKenna escaped with a second degree verdict, since the evidence against him was ex-

tremely slim. Two other Irishmen, John Malloy and Patrick O'Donnell, were also convicted of complicity in the crime, largely on evidence that they had refused to pay a fine for missing the murder, claiming that it was Yellow Jack's fault that they had not gone along.

One of the sensations of the trial had nothing to do with the case. Under cross-examination Slattery was asked for the details of the political deal in the 1875 election. When his Democratic lawyer refused to object, he was compelled to give the names of the persons. Republicans angrily declared that the story had been intentionally revealed in order to damage their prospects in the current presidential campaign. The issue of pardons-for-votes had already stirred up a newspaper war between Gowen and the Governor. In a letter to the editor of the *Tamaqua Courier* Hartranft declared that, if Gowen had meant to convey the idea that his official action had been influenced in any way by the Mollies, "then his statement is untrue, and he knows it to be so." When asked by a reporter for the *Philadelphia Bulletin* for a reply, Gowen answered: "If Governor Hartranft says that what I say is not true, he is a liar. Give him my compliments." Realizing the danger of involving the trials in politics, he carefully refused to make further comments.

Following the trials for the Powell murder at Mauch Chunk, the spotlight shifted back to Pottsville, where the Commonwealth was ready to reveal the details of another long-unsolved crime, the fatal beating of Frank Langdon in 1862. Kehoe and four others, Neil Dougherty, John Campbell, Columbus McGee, and Michael McGee, were charged with taking part in the assault. After fourteen years the memories of the witnesses had dimmed, and convictions would scarcely have been possible if a presumption had not already been established in favor of the Commonwealth's evidence. Although the most damaging testimony offered against any of the men was that they had been near the scene of the crime, Dougherty and Campbell were speedily found guilty of second degree murder. Both the McGees were subsequently acquitted.

The case against Kehoe was the most important, since the prosecution was anxious to put a rope around his neck, both because of his prominence and because of his alleged plot to kill McParlan. There was serious doubt that he had actually taken part in the beating of Langdon. One witness, George Beck, testified that as a boy he had gone to the saloon to get his father and had seen Kehoe there while Langdon was being attacked outside. The prosecution promptly brought a number of persons from Shenandoah to prove that Beck had a worthless reputation. Among the illustrations offered to show that he was a liar was a

statement by an operator that he had promised to get the men to go back to work during a strike and had failed to do so. Another man said that he knew Beck was a liar because he had borrowed money and not kept his promise to pay it back.

One Commonwealth witness admitted that he had conferred with another witness in order to keep their stories straight. On the other hand, it was stated that three weeks before the fatal assault Kehoe in a drunken quarrel with Langdon had declared, "You son of a bitch, I'll kill you before long, for you're only robbing the people here by your docking." Those words alone were sufficient to hang the Girardville man, since they implied an intention to murder and enabled the jury to bring in a first degree verdict.

Another mysterious crime was solved through the strategy of Captain Linden. Languishing in the Pottsville jail was a worthless character, known variously as Daniel Kelly, Manus Cull, and Kelly the Bum. Through McParlan Linden had learned that Kelly was involved in the murder of Alexander Rea in 1868. When confronted with this accusation, Kelly decided to save his own neck by confessing. According to his story, Patrick Hester had mentioned in a saloon on the night of October 16, 1868, that Rea would be traveling along a lonely road next day with the company payroll, and it would be an easy matter to rob him. Kelly, Hester, Peter McHugh, Patrick Tully, and several others had set out to trap Rea, but Hester changed his mind and left before they reached the scene of the crime, giving Kelly his gun. When stopped, Rea handed over his watch and pocketbook, but he did not have the payroll. On Kelly's asking what should be done with the man, McHugh replied that he would not be hunted around the world by any living man. Tully thereupon shot him through the head, and the others also fired.

As a result of this confession, Hester, Tully, and McHugh were arrested and brought to trial at Bloomsburg in the Columbia County court on February 7, 1877. The defense objected to Kelly's testimony on the grounds that he was a convicted criminal, but the Commonwealth triumphantly produced a pardon dated the week before. Although the lawyers for the prisoners demonstrated that Kelly had been guilty of almost every crime in the book and was unquestionably a notorious liar, they were unable to shake his story.

While this was a Molly Maguire crime only in that McHugh had been county delegate, Hester a bodymaster, and the other participants members of the order, the Commonwealth, despite the defense's objection, succeeded in introducing evidence against the Hibernians as an

organization and thus extending the terror to Columbia County. The fact that the jury was taken to church and heard a sermon on the subject of murder was also the occasion for protest by the defense. Whatever the influence of these factors, the result was a verdict of guilty of murder in the first degree.

The Commonwealth now paused to get its breath, with forty-one persons convicted of various felonies. All of those sentenced to death were still alive, awaiting the outcome of their attorneys' desperate efforts in their behalf, first before the State Supreme Court and then before the Pardons Board in an attempt to counteract the popular prejudice against the Hibernians. So well had Gowen done his work, however, that all appeals were denied.

Finally June 21, 1877, was set as the execution day for all those whose last chance had been exhausted. Pottsville was agog with preparations for the big day. The Schuylkill County sheriff went to Philadelphia to get instructions on hanging methods. He was given a length of hemp by Edward H. Fitler, who supplied the rope for executions in the State, but refused to accept payment for it. With six men to hang, Boyle, McGehan, Carroll, Roarty, Munley, and Duffy, the sheriff erected a monster triple gallows so that all six men might be executed at once. In the end, however, he changed his mind and decided to take them two at a time. Another scaffold was erected in the Mauch Chunk jail yard for the four men awaiting death there.

Both towns buzzed with rumors. Mauch Chunk heard that Doyle had said that for every drop of blood spilled inside the jail a gallon would flow outside. Mrs. Campbell was supposed to have declared that the power of the Mollies would be felt before long with terrible effect. Some families moved out of town in fear of Molly vengeance. Pottsville talked about an attempt to rescue the prisoners. Sixty coal and iron police were stationed within the jail and 105 special deputies were commissioned. Pinkerton, with his genius for uncovering fantastic plots, warned mine operators to prepare for a Molly uprising against their property.

On the morning of "Black Thursday" Pottsville woke early to stare at the gray walls of the prison on the hill. Every train brought its crowd of sightseers, and over the hills came trudging hardy-looking men, with the blue scars of the mines on their faces. Open saloon doors welcomed the strangers, despite Judge Pershing's optimistic order that the bars be closed.

At daybreak the relatives of the doomed men were admitted to the prison for a final farewell. When the screaming women and sobbing

children had been led away, Father McDermott, the Pottsville priest, said mass and prayed with the men until their time came. In the jail-yard outside stood a crowd of three hundred, all who could be let in, including some fifty newspaper correspondents, the special deputies, the jurors, and a hundred who had been lucky enough to be invited by the sheriff. Among the spectators was Pat Collins, the Hibernian county commissioner. Duffy's brother was on hand to claim the body. He said, "I never saw Tom look better."

At 10:54 a. m. a little doorway at the rear of the yard opened, and the sheriff and the prison officials appeared. Behind them came Doyle and McGehan, with a priest at the side of each. McGehan wore two roses in his lapel, while Boyle carried a large blood-red rose in his hand. The service was read on the scaffold, and Boyle, grasping his friend's hand, exclaimed, "Good-bye, old fellow, we'll die like men." The sun, which had momentarily broken through the clouds, disappeared, and a few raindrops fell. At 11:10 strangers, standing behind a screen, pulled the traps. Boyle's rose fluttered to the ground, while McGehan's body twitched in agony for minutes.

The sun came out once more, but, as Carroll and Roarty appeared, it again hid its face in the clouds. Roarty told the crowd from the gallows that he had never seen Yost, and Carroll declared, "I have nothing to say but that I am innocent of the crime I am charged with." Both men died quietly. Next came Munley along with Duffy, who had been saved for last on the chance that one of the other men might say something to exonerate him. For the third time the skies darkened, the traps were sprung, and at the thud a shout echoed from the thousands outside the walls. In Mauch Chunk another crowd had gathered for the first hangings ever held in Carbon County. Doyle, Kelly, Donahue, and Campbell died together on a special scaffold.

The newspapers blazoned the story on their front pages under banked headlines. "JUSTICE AT LAST—TEN MOLLIE MURDERERS HANGED," said the *Philadelphia Times*. But already the hysteria Gowen had engendered was beginning to die away. Even six months before a special correspondent of the *Times* had conceded from Pottsville:

Some of them indeed are to be hanged for crimes that in an altered state of public feeling, would not do more than imprison them. Carroll, for example, furnished the pistol with which Yost was killed. He did not see the deed done; did not know when it was done; and, perhaps, did not even know who was to be killed, but he is to die for it.¹

¹Dec. 26, 1876.

In the streets of Pottsville before the execution many declared openly that Duffy would die an innocent man. Afterwards, Father McDermott, who had been loud in his condemnation of the Hibernians, said:

I know, beyond all reasonable doubt, that Duffy was not a party to the murder of Policeman Yost, and I think the same remark will apply with almost equal force to Carroll. . . . I do not want to shield these men, nor to condone any faults they may have committed, but there are many things bearing upon their guilt that could be explained away satisfactorily.²

The simultaneous hanging of the ten Mollies seemed to have assuaged the blood-thirst Gowen had created. Patrick O'Donnell, who had been convicted of first degree murder for the Powell shooting, chiefly on dubious evidence that he had attended the meeting where the killing had been planned, was granted a new trial. For the first time since the Molly scare had begun, the names of three Irishmen appeared on the Carbon County jury panel. Although none of them served on the jury, O'Donnell obtained a second degree verdict. A convicted Molly had escaped from the gallows for the first time.

More hangings were yet to come, however. Dennis "Bucky" Donnelly was belatedly brought to trial in November, 1877, for the Sanger-Uren murder after lingering in the Pottsville jail for a year. Dennis Canning received a pardon to permit him to testify that Bucky had boasted to him that he had arranged for the killing of Sanger. This was the only evidence connecting him with the actual crime, although Pat Butler, who had deposed Donnelly as Lost Creek bodymaster, declared that Bucky had previously tried to have Sanger murdered, because he was discharging Irishmen. Donnelly asserted that Butler had planned the crime, but he was convicted of murder in the first degree, and hanged on June 11, 1878.

Meanwhile the three men sentenced in Columbia County had exhausted their last resource of delay. Of the three, only Pat Hester had had any reasonable expectation of clemency. A saloon-keeper in Locust Gap, Northumberland County, Hester was a stout man with a chin beard and an unprepossessing appearance, who had once been described by a friend as looking like a bundle of hay. He had served a three-year term in the Eastern Penitentiary for brawling with the local priest over the right to bury a friend in the Catholic cemetery, and had a reputation as a trouble-maker. Although his part in the killing of Rea had

² *Philadelphia Times*, June 22, 1877.

been relatively minor, his reputation was probably responsible for denying him a commutation. On March 25, 1878, he died with McHugh and Tully on the scaffold in Columbia County's first hanging. Before his death Tully admitted the general accuracy of the story Kelly had told of the murder. Gowen furnished the hangman and also offered Mrs. Hester a special train to take her husband's body back to Locust Gap. A month earlier one of Hester's lawyers had demanded the trial of Kelly the Bum, the confessed murderer, but Gowen had wired the court that the interests of justice would best be served by letting the trial go over. Following the hangings, Kelly was rewarded with his freedom.

On March 28 Tom Fisher was brought to the gallows in Mauch Chunk. From the scaffold he declared that he had had nothing to do with the Powell murder. Although he admitted meeting Yellow Jack Donahue in James Sweeny's saloon in Lansford on the day of the shooting, he asserted that he was inside the saloon when the shots were fired and had not known that Powell was to be killed. The only true charge against him, he said, was that he was county delegate. A legend later grew up that he had placed his hand on the wall of his cell before he left it for the last time, declaring that the mark would remain there forever as a sign of his innocence. Whatever the truth of the story, the mark of a human hand was clearly to be seen on the wall of a cell in the Mauch Chunk jail for sixty years afterwards, until the sheriff in 1931 plastered it over to end the string of curious visitors who came to see it.

The informers, Slattery, Mulhearn, and Kerrigan, in the meantime had recalled the names of several persons who had been involved in the murder of George K. Smith at Audenried on November 5, 1863. One of them was James McDonnell, of Tuscarora, who was known as "The Hairy Man," because of his long white locks and beard, which he neither cut nor combed. McDonnell had fled his home about eighteen months before, but James Gilchrist, McParlan's erstwhile bodyguard, found him at Rock Island, Illinois, and brought him back to Mauch Chunk in December, 1877. Two other Irishmen, Charles Sharp and Thomas Durkin, were arrested for complicity in the same crime.

"The Hairy Man," stoutly denying any connection with the Smith murder, admitted that he had been involved in the killing of Patrick Burns, a clerk at Silver Creek Colliery, near Tuscarora, on April 15, 1870. According to his story, John Kane, the outside boss at the mine, had been robbing the company. Afraid that Burns had detected him, he had asked McDonnell to have the clerk killed. "The Hairy Man" had

arranged to have Martin Bergen and Patrick "Chicken-faced" O'Neill shoot Burns. Bergen was discovered in Canada and brought back to Pottsville for trial.

The case against Bergen was very strong. John "The Reb" Brennan, who had been arrested for the crime, had the charges against him dropped that he might join McDonnell on the witness stand. Brennan's evidence that he had talked to Bergen and O'Neill before the murder furnished such clinching proof that the defense did not bother to call any witnesses, and the jury rendered a first degree verdict. Bergen was the only one to be convicted for the Burns murder, since O'Neill had escaped and Kane could not be tried without some corroboration of McDonnell's story.

"The Hairy Man," however, received no clemency for his part in the conviction of Bergen. On evidence that he had told Mulhearn and Kerrigan that he had held the outside door while Smith was being killed, he was found guilty of first degree murder by a jury which was remarkable for having an Irishman on it. Alleged admissions to Kelly and Kerrigan that he had been present at the attack on Smith brought the same verdict against Charles Sharp, although the charges against Thomas Durkin were dropped.

Gowen's Coal and Iron police provided one more Molly Maguire case before the final curtain. The Reading's Captain Thomas Alderson was the prosecutor of Peter McManus and John O'Neill, of Shamokin, for the murder of Frederick Hesser on the night of December 18, 1874. Hesser, who had been Northumberland County coroner and night watchman at Hickory Swamp breaker, had been found beaten to death at the colliery the following morning. McManus, bodymaster of the Coal Run division of the Hibernians in Northumberland County, was brought to trial in Sunbury in August, 1878.

Dennis Canning, the pardoned county delegate, testified that McManus had admitted seeing the beating but not taking part in it. An itinerant workman, Morgan P. Davis, was brought back from Kansas to give evidence that he had overheard McManus and O'Neill discussing the murder while at work in the mines. Despite the extremely dubious nature of this testimony, the Coal Run bodymaster was convicted of murder in the first degree. Davis's testimony caused the same verdict against O'Neill, whom even his mother called "a poor, silly boy."

All this time Jack Kehoe had been struggling frantically for his life. The Supreme Court had denied his appeal, but there was a chance with the Pardons Board. When his plea for clemency was brought up at

Harrisburg on April 10, 1878, even the bitter *Shenandoah Herald* conceded:

None of the previous "Mollie" cases brought before the Board of Pardons were nearly as completely prepared as this, nor had they half the bottom to stand on that Kehoe's case has.

Affidavits were presented from the two other men convicted of the murder of Langdon, declaring that Kehoe had not taken part in the beating. There was even some question that Langdon's death might have been due to the treatment prescribed by his physician instead of to his injuries, since he had been able to walk home after the assault. Although the Pardons Board failed to act at this time, Governor Hartranft said:

All agree that he deserves the same punishment as that administered to his numerous guilty companions; however, he should not be hung for a crime that he was not clearly proven guilty of merely because he has been implicated in other dark deeds that, according to the law, would consign him to the gallows.⁸

When Kehoe's appeal came up again on September 4, the Board unexpectedly turned it down by a 2-2 vote, in spite of the Governor's opinion. Still Hartranft hesitated to sign the death warrant. Some said he delayed because he believed Kehoe innocent; more cynical souls pointed out that there was a State campaign going on, and that the Republicans did not want to alienate the Irish vote. It was said that if he did not act before his term expired in January, Kehoe would never hang, since technicalities would prevent the new governor from signing the warrant. In the Pottsville jail the "Molly King" declared that Gowen had told Father Gallagher that, if Hartranft did not hang Kehoe, he would hang Hartranft.

With the election safely over, the Governor asked his Attorney General whether it was his constitutional duty to sign the death warrant even if he had grave doubts as to Kehoe's guilt. When the Attorney General replied that it was, he regretfully set December 18 as the day for the execution. Informed that Hartranft had issued the death warrant, Kehoe said, "I never believed he would do it." He told a reporter that he had been Langdon's friend, and had been in the tavern while Langdon was being beaten. He remembered several persons who had been with him at the time, but he did not know where they were. In a last appeal to the Pardon Board, counsel asked for delay to provide a chance to get an affidavit from a witness who had been discovered. Mrs.

⁸ *Shenandoah Herald*, July 10, 1878.

Kehoe traveled to Towanda and brought back the sworn statement of Patrick McHugh that Kehoe had not been present at the beating of Langdon, but the evidence was considered insufficient. Even if he should escape hanging for this murder, the local authorities declared, they could convict the county delegate of at least three others. On the stormy, wintry day of December 18, Jack Kehoe twitched for three minutes on the end of a rope, slowly strangling to death while blood ran from his throat where the hemp had cut into it.

Originally scheduled to die the same day, McDonnell and Sharp were reprieved until January 14, 1879. In hopes of another delay, their lawyer tried to see the Governor the day before but found him in Washington. When Hartranft returned to Harrisburg late that night, he promised to look into the matter next morning. The lawyer waited impatiently in the executive office next day, but Hartranft did not arrive until ten o'clock. After half an hour the Governor agreed to grant another reprieve. The telegram was hastily dispatched to Mauch Chunk, where it arrived at 10:42 a. m., just as the trap was sprung on the condemned men. While the bodies were still hanging, the telegraph messenger knocked on the gate with the useless reprieve.

Two days later Martin Bergen dropped from the Pottsville gallows. The Sunbury hangings were scheduled for October 9, 1879. At the last moment the sentence of the weak-minded John O'Neill was commuted to life imprisonment by a new governor, free of Hartranft's political involvement with the Hibernians. McManus, who convincingly maintained that he had actually tried to prevent the murder of Hesser, was hanged on the appointed day, the twentieth and last Molly to die on the scaffold.

Twenty-six others had been sentenced to prison terms, but two of the most notorious Mollies, Kelly and Kerrigan, were never tried. None of the fugitives were ever captured. According to report, Tom Hurley years afterward was arrested in Colorado for a stabbing, and, when identified, slashed his throat to avoid being brought back to Pennsylvania. John Gibbons escaped from the Pottsville jail, and was later said to have been killed at Pittsburgh. Frank McAndrew came back to Shenandoah after the excitement had died down, and asked Gowen for a job as a reward for saving McParlan's life. The rest disappeared from the pages of history.

The feelings engendered by the bloody purge of the Hibernians have never died out. Thomas Fennel, one of the Munley jurors, complained that his business as a teamster was ruined after the jury verdict. After a brief job with Pinkerton's Pat Butler came back to the coal regions,

an outcast among his own people, and had difficulty in finding employment, even with the Coal and Iron Company. Muff Lawler walked the streets of Shenandoah with the boys yelling "Squealer!" at his heels, and Jimmy Kerrigan left the region after persuading his wife to take him back. Even today men and women still divide by race and class on the Mollies as sharply and as vigorously as they did in 1876. The stranger must be wary in asking questions if he does not wish to offend. Many are reluctant to talk; in 1944 a Shenandoah Welshman refused to have his name mentioned in the pages of this book because he feared it would injure the family business.

Even before the first Molly had been hanged, the story had passed into the national folklore. The thrilling adventures of James McKenna became a classic of detective literature. In 1877 Pinkerton published a sensational account of the investigation, called *The Molly Maguires and the Detectives*, and a dramatized version appeared on the Philadelphia stage under the title, *Secret Service*. Lippincott published a Molly Maguire novel, *Twice Defeated*, by Rollin Edwards, and a factual history of the Mollies by Francis P. Dewees, a Pottsville lawyer. Other books about the investigation appeared in England and Germany. Later the immortal Sherlock Holmes was to run across the trail of the Molly Maguires in *The Valley of Fear*. At regular intervals books and magazine articles about the Mollies continue to appear. All of them pay tribute to Gowen's persuasive powers by accepting the thesis he laid down in his famous speech in *Commonwealth vs. Munley*. With virtual unanimity they agree that the Molly Maguires were a band of assassins, who terrorized the anthracite region for twenty years, murdering bosses, destroying property, driving men from their work and corrupting the government.

On the face of the evidence the facts hardly correspond with this tradition. The anthracite country never showed any signs of being terrified save for a period in the mid-sixties and the summer of 1875. Members of the Hibernians did use their positions in the society to bring about the murder of three bosses, Powell, Sanger, and Jones, but they were just as concerned in the shooting of three other men, James, Thomas, and Yost, who had nothing to do with labor problems. The society was never involved in any other labor crime, even though individual members were. Likewise, individual Hibernians were sent to prison for embezzling county and township funds, but so were many others who had no connection with the society. The Hibernians, in fact, were only one of several groups of illiterate, drunken, quarrelsome miners, with little respect for life or property, who were lifted into international notoriety by Gowen's oratory.

Only one contemporary voice was raised to suggest that the legend had magnified the truth out of all proportion. Said the *Irish World*:

Acts of violence were done by desperate men. We do not defend their methods, but we are satisfied that the number and nature of such acts have been grossly exaggerated, while the provocation under which those men labored is a factor usually eliminated altogether from the discussion. There have been in the mining regions Americans, Irishmen, Englishmen, Welshmen and others, who took part in the disturbances. Small batches of them, here and there, united to avenge the wrongs inflicted on them. After a while when any midnight deed was done, whether by isolated miner or special policeman, it was attributed to an organized band of conspirators who received the name of "Mollie Maguires." Doubtless, the men themselves helped to give color to this belief, hoping thus to terrify the capitalists into a more equitable frame of mind. But there is no convincing evidence to show that any regular or extensive society, such as the "Mollies" are alleged to be, ever existed in Pennsylvania!⁴

The opinion of the official organ of the Hibernians, however, was lightly dismissed. All the respectable elements of society united in accepting Gowen's portrayal of the Mollies and singing his praise. His brilliant prosecution was the one act of his public career which won universal acclaim. The *Philadelphia Times* called him "the hero of the time." Both the *Times* and the *Harrisburg Patriot* nominated him for governor. The august *American Law Review*, lauding both Gowen and his detective, declared:

The debt which the coal counties owe to these men cannot be overestimated, nor can the personal qualities of untiring resolution, daring, and sagacity, in both principal and agent, be too highly praised. Together they accomplished one of the greatest works for public good that has been achieved in this country and in this generation.⁵

When the Mollies had been hanged, social and economic conditions went on breeding crime in Schuylkill County as they had before, but there was an important difference. No longer were there any attacks on property or mine bosses. The infusion of Pinkerton blood during the strike of 1875 had transformed the Coal and Iron police from a group of mine guards into an efficient police force. In the months when the Mollies were being gathered in, the anthracite workmen had seen men

⁴ Quoted in *Miners Journal*, June 8, 1876.

⁵ XI, 234-235 (Jan., 1877).

in the Coal and Iron uniform invade homes in the dead of night to carry miners off to jail, had watched them appear in court to prosecute the case to an inevitable conviction. The Molly trials were a convincing demonstration that any crimes against the Reading would be punished with speedy and severe justice. Other mining corporations, seeing Gowen's success, adapted his methods until the term Coal and Iron police became a synonym for terror, a far more actual terror than any ever inspired by the Molly Maguires.

CHAPTER XII

THE COMBINATION BREAKS UP

As America's centennial dawned, Gowen seemed to have stabilized the anthracite industry into a state of permanent law and order. The union's interference with production and wages had been completely ended. The 20 per cent cut imposed on the miners helped to make up for the increases in per-ton costs resulting from part-time production. The long strike had cleared the huge surplus off the market, and the coal combination was successfully maintaining prices after three years of a major depression.

Now the association was even to be strengthened. The six companies, meeting in New York in February, 1876, agreed to enforce the quota system by fines. Companies which exceeded their allotted tonnage for the month were to pay a penalty of \$1.50 a ton to companies which were deficient in their quotas. The fine was not enforceable by law, but a gentleman's word was considered sufficient. The Pennsylvania Coal Company, granted a 10 per cent increase in its quota, became a formal member of the combination, and the Pennsylvania Railroad for the first time agreed to abide by its rules.

The Schuylkill Coal Exchange was reorganized to set up the fine system for its own members. A few operators had failed to join the previous year, and Gowen's spirit of fair play would not allow him to force them into the combination. He did, however, lease all his Richmond wharves to the Exchange, thus allowing the Exchange to deny shipping facilities to non-members. All but one of the recalcitrants thereupon decided to join the organization.

In the midst of this activity Gowen unobtrusively abandoned his interesting experiment in distribution direct from the mine to the consumer. He had apparently found the answer to the question he had asked the retailers several years before: Why did they not sell a hundred thousand tons of coal a year instead of ten thousand, lowering their prices and increasing their profits at the same time? As any coal dealer might have told him then, his figures on reduced overhead were accurate enough, but one had first to sell a hundred thousand tons a year. If the customers did not buy, a big yard only lost money on a grander scale. Had Gowen's persuasive talents been diverted to salesmanship, he might have made retailing pay, but he had grander schemes

to occupy his time. Little advertisements announced that the Coal and Iron Company's retail business had been transferred to Bines and Sheaff, "experienced retail coal dealers."

Gowen's attention was sorely needed elsewhere. The changes made in the anthracite combination were proving to be only ineffectual attempts to shore up a crumbling edifice. The coal trade, in fact, was desperately near collapse. The Coal and Iron Company had been opening new collieries and improving old ones to increase its production capacity, preparing for the constantly growing demand Gowen always confidently expected. Other companies had caught the contagion of the Gowen optimism and also expanded. Instead of increasing, however, demand had been shrinking during the years of depression. In spite of the long strike of 1875, enough coal had been produced in six months to fill the year's market. In the middle of December the mines shut down for a month. Some of them reopened for a few weeks in January, then all shut down until the end of March. The 1876 tonnage quota was reduced 20 per cent from previous years.

Trouble developed with the Lehigh Valley Railroad. Its president, Asa Packer, always a little uneasy over the policies of the combination, had said at the beginning of the year that his road would not be an active member. This meant, it turned out, that he would leave all control of production up to the individual operators. As a result, the Lehigh operators exceeded their quota the first month the mines went back to work. At the May meeting of the association's board of control the Lehigh men declared they could not pay the penalty for overproduction. When other members of the combination threatened to drop the agreement, the Lehigh delegates promised that, if their April excess was not fined, they would keep within their quota thereafter.

After adhering to their word for one month, they again exceeded their allotment in June. The board of control met in July and received a new pledge from the offenders, that they would shut down for two weeks in August to make up for their overproduction in June. Unfortunately, their July production was again in excess of the quota, and the collieries owned by the Lehigh Valley Railroad even failed to keep the suspension promise.

Gowen was furious. When the board of control assembled on August 22, he offered a resolution setting forth the story of the difficulties and dissolving the combination. The agreement vanished in a blaze of wrath. Asa Packer was denounced by name for his "want of cooperation." To a reporter Gowen was more scathing, saying, "We were associated with some people who thought they had so much more character than

money that they were willing to exchange the former for the latter commodity."

The same reporter found Gowen still optimistic over the future. The Reading president declared:

We are now prepared to sell coal cheaper than anyone and expect to make more money on account of our increased tonnage, and, at the same time, we are rid of the hampering influence of the combination. . . . There will be a largely increased trade because each road now has to make its own developments. I think that there will be a moderate reduction in price.¹

This confident prediction was not mere whistling in the dark. The principle that lower prices meant increased consumption, and increased production reduced operating costs was as valid as ever. Production costs still had to be kept below prices, but that floor had dropped about seventy-five cents a ton under Gowen's management. The sliding scale for wages, moreover, kept moving it downward as prices fell. The only question was whether the profit margin could be kept high enough to satisfy the voracious interest demands of the huge debt the Reading had piled up. The slack market, even with maintained high prices, had already cut earnings so drastically that the company had been compelled to pass its quarterly dividend in June. Now Gowen was ready to turn to expanded production to get the Reading back on the profit side of the ledger.

Still angry at his late associates, he ruthlessly dumped huge quantities of coal on the New York market at the September auction sales held by the Scranton companies. Prices slumped disastrously, an average of more than a dollar a ton. In some cases coal sold for less than the freight from the mines to New York. The Philadelphia retailers, mourning their inventory losses, renewed their complaints that Gowen was trying to drive them out of business. The nervous Schuylkill operators sent his onetime employer, Thomas Baumgardner, as a member of a committee to call on him to find out what he was trying to do. Gowen refused to commit himself to any price-fixing agreement, but he did slash freight rates seventy-five cents a ton to afford them some relief.

The coal trade was aghast at this brutal price war. The anthracite stocks tumbled, as speculators tried to guess which of the companies would be casualties. First to fall was the Jersey Central's subsidiary, the Lehigh and Wilkes-Barre Coal Company. On February 12, 1877, receivers were appointed for the L. & W., and the parent company

¹ Philadelphia *Times*, Aug. 25, 1876.

followed it into bankruptcy next day. The Central's stock hit a new low of 15¾, down from 100 a year before. A special committee appointed to investigate the railroad's affairs reported a sad story of book-keeping juggled to show fictitious earnings. No depreciation had been charged for seven years; many of the company's assets should have been written off the books.

Six months of hostilities brought Gowen's rivals to a mood to sue for peace. In March, 1877, stove coal in the New York market brought \$2.80, about half the average price when the association had been in effect. The desperate coal men held a series of meetings in New York to attempt to arrange an armistice. Thomas Dickson, president of the Delaware and Hudson, and Robert H. Sayre, of the Lehigh Valley, were selected as a committee to work out terms of a settlement. Eight days later, on March 29, the peace conference met again, but could come to no agreement. After issuing a manifesto assuring the public that they merely wanted to raise prices enough to meet expenses, the gathering added Gowen to the committee and adjourned.

The following week they found two reports submitted for their consideration. One was for a modified revival of the original association. Production quotas were to be restored, with the shares of the Lehigh Valley and the Lackawanna slightly increased, and excess production was to be penalized, but all restrictions on sales and prices were to be abandoned. Gowen, however, demanded a radical revision of the entire system. He advocated that the six companies should adopt the plan he had set up in the Schuylkill region, establishing a single agent to handle all sales. This would eliminate competition among the companies and at the same time reduce overhead expenses. It was a logical step forward in Gowen's program for abolishing the middleman, but the other companies refused to accept the idea. When they voted to adopt the tonnage allotments instead, he ignored the decision and sailed off to Europe on company business. The *Philadelphia Times* commented:

It is generally understood that with Mr. Gowen's departure to England all hopes of an agreement for a restriction of production vanished, but the enormous shipments over the Reading Railroad long ago indicated that such was the fact. . . . It looks very much as if President Gowen proposed to prove his statements to the stockholders that his company would make a profit where all the others would starve. . . . Every one is crying "the devil take the hindmost" in the firm belief that their company will not be the first to fall into his clutches.²

² May 12, 1877.

A few days later the other coal companies reached an agreement to shut down for a month during June and July. George Keim, Gowen's longtime friend, who had been left in charge of the Reading's affairs, cabled his superior for advice. Gowen replied with a cryptic message, which was interpreted to mean that he would suspend only if the Pennsylvania Railroad also stopped transporting coal. Since this was an impossible condition, the agreement lapsed.

Gowen had good reason for his obstinate position. With his virtual monopoly of the market in the Schuylkill Valley and Philadelphia, he had been able to keep prices there reasonably stable. At the same time he was taking advantage of the low prices in the competitive markets to expand his trade. With his lower production costs he was able to meet the Scranton companies on even terms in New York in spite of his longer haul, and could undersell them in New England. Now he was sending his coal up the Hudson, past the wharves of the Pennsylvania Coal Company and the Delaware and Hudson, on over the Erie Canal to Buffalo, to Chicago and Milwaukee, and even as far inland as Kansas.

He was shortly to gain another advantage over his rivals from the great wave of labor troubles which broke out in the summer of 1877. Gowen had shrewdly protected himself from these difficulties with an attack on the Brotherhood of Locomotive Engineers in the spring. Ever since McParlan's spying had resulted so successfully, he had been employing other detectives to keep him informed of labor activities among his workingmen. These had given him reports that the engineers, having just struck on the Jersey Central and the Boston and Maine, had selected the Reading for their next victim because of its supposed financial weakness.

When a committee, representing the engineers and firemen, called on Superintendent J. E. Wootten and asked for a 20 per cent increase in wages, Gowen decided that this was the signal for the strike. Seizing the initiative, Superintendent Wootten on March 27 sent each of the Reading engineers a formal notice that he would have to give up membership in the Brotherhood or leave the company's employment "in view of the recent high-handed interference with the business of Railroad Companies, and the serious and sometimes fatal consequences that have resulted to the innocent traveling public from the unjustifiable and arbitrary conduct of the organization known as the Brotherhood of Locomotive Engineers upon other Railroads. . . ." That the men might not lose the beneficial features of the Brotherhood, the company would establish a better plan at cheaper rates.

Dumfounded employees told a reporter that they could not understand this order, since there had been no trouble with the company and

the men had accepted two wage cuts since 1873 without a murmur. One engineer complained that the Reading was paying thirty-five cents a day less than other railroads and was working its men harder.

Gowen declared that he expected the engineers to give "cheerful support" to the order. The company had issued the notice "not only for its own protection from annoyance, but for the good of the engineers." The Brotherhood had become "a very aggressive trades union" under its chief, P. M. Arthur, and was "arbitrary and harmful to the peace of the traveling public."

The support was not quite so cheerful as Gowen had anticipated. The union sent for Chief Arthur, who, arriving in Philadelphia, launched into a vigorous attack on the Reading. The Brotherhood, he announced, would meet the Wootten circular in the same spirit in which it was offered. A conference behind closed doors, with Gowen's spies apparently excluded, laid plans. After several unsuccessful attempts, a Brotherhood committee finally obtained an interview with the Reading superintendent on April 4 and criticized the benefit plan he presented.

A few enginemen were already straggling off on strike, and Gowen's officials interviewed the rest to obtain their promise that they would not quit. When the men gave their pledges to remain at work, Gowen was lulled into a belief that the trouble was over. Suddenly, however, on the morning of April 14 the Brotherhood's grievance committee demanded an interview with Superintendent Wootten. That afternoon they presented him with a request for arbitration of all difficulties, which was promptly rejected.

The Brotherhood thereupon called all its engineers off the trains at midnight. Attractive strike benefits of sixty dollars a month brought out about 350 men, including half the engineers and one-third the firemen. Although caught by surprise, Gowen kept his trains running the next day, Easter Sunday, by pressing into service dispatchers and superintendents. Some of them were summoned so hastily they took out their locomotives, still wearing their silk hats. On Monday he began hiring new men. Employees were not difficult to obtain, but their inexperience cost the company heavily in burned-out engines and wrecked cars.

The Reading rewarded the men who had stayed at work by creating new grades of firemen and engineers for them. Those who had been employed on April 14 and had not quit were given increases of fifteen cents a day for firemen and twenty-five for engineers, and it was provided that no one else could attain these new pay rates until after three and five years of service respectively. Conscious of the need of appeasing public opinion, Gowen issued a lengthy statement, explaining his

acts. Warning of the perils inherent in the power of labor unions, he said :

When it is considered that four hundred engineers, owing allegiance to the Brotherhood and willing to remain idle for \$60 a month, could stop the entire traffic of the Reading Railroad and throw into idleness at least fifty thousand men, whose families might starve unless they had work, it will readily be seen how dangerous would be the position of any railroad company whose locomotive engineers were under the control of Mr. Arthur.³

Despite the fact that he had just demonstrated that the Brotherhood could not stop the Reading's traffic, his argument, as usual, carried conviction. The *Philadelphia Times* commented:

The full and frank statement of President Gowen will take from the striking engineers of the Reading Railroad that measure of public sympathy that was felt for them as long as the action of the railroad company appeared, as it did to many, arbitrary and unnecessary. . . . In defense of the interests entrusted to his care he could do no less than he has done, and the result already indicates that no railroad company has so successfully carried through a contest with the brotherhood.⁴

Reports of the accidents caused by the strike-breakers were magnified and circulated by the Brotherhood to frighten traffic off the Reading. Chief Arthur declared that Gowen was hiring engineers who had been discharged by other roads for incompetence. The accidents were all minimized or denied by Gowen's officials. The union tried to persuade others to join their strike and get the liberal benefits they offered for not working, but within a week the trains were running normally. When a report was published that the strikers would return to work under certain conditions, Gowen said that his reply would be: "There are at present no vacancies in the employment of the company."

Just to make sure the public understood the real issues of the strike, Gowen issued a pamphlet on April 24, telling the whole story as he saw it. The circular of March 27, he said, had been justified by the fact that the Brotherhood was planning to strike to establish control of the railroad. If the engineers on receiving the notice had quietly resigned and sought employment elsewhere, the company would have parted with them with regret.

³ *Philadelphia Times*, Apr. 17, 1877.

⁴ *Ibid.*

Instead of pursuing such an honorable course, the union members, he declared, had deceitfully promised to remain at work and had continued to negotiate with the company while they were preparing to call a strike. Then the Brotherhood had peremptorily demanded an interview with Superintendent Wootten on April 14, and had called a strike for that midnight, notice of which must have been sent out even before the meeting with the superintendent was requested. In spite of this, Gowen could not criticize the men who had quit. He went on:

Much as the Company has a right to complain of the manner of quitting, it had no right to find fault with the men for preferring to quit their service rather than surrender their membership in the Brotherhood. Of the propriety of this course, the men themselves were the best and only judges. The Company respected their decision upon this point as final, and not only made no efforts after April 14th to induce them to change their decision, but at once supplied their places with new men. Here the whole matter should have ended, and those who quit work should at once have endeavoured to secure other situations, in order to impose upon their association the expense of their support in idleness for no longer time than was absolutely necessary to enable them to secure new places; and as good citizens they should have acquiesced in, and respected the undoubted moral and legal right of their employer to decide for itself whom it would or would not employ.

Under the belief that it was an element of weakness to have its locomotives run by men bound by oath to an allegiance to their association greater and higher than that owed to their employer, the Company simply exercised an undoubted legal right in determining to employ no members of the Brotherhood, but it contemplated no other attack upon the Society; it had no design whatever to reduce wages, it was acting entirely for itself, and not in concert with or on account of any other railroad companies; it had no desire, directly or indirectly to prevent the employment of Brotherhood Engineers by other companies, and each member of the Brotherhood who had properly severed his connection with the Company, upon being informed of its decision in the premises, would have been cheerfully furnished with proper testimonials and recommendations to procure new situations.

Instead of following this obvious path of duty, which would have preserved their Association from any defeat, the Brotherhood has changed the issue and made a direct attack upon the Company, and instead of endeavouring to procure new situations, the men who quit their work are leagued with others to compel the Company, as they say, to surrender and take them back to their places. . . .

The new claim thus put forth is not, that its members have the right to refuse to work for any particular company, for as to this there can be no doubt, but it is, that the Brotherhood of Locomotive Engineers *can force any company to employ its members*. The

mere statement of this claim is sufficient to show how preposterous it is, and the Brotherhood will have none but its own officers to thank, for the inevitable defeat it must meet with in attempting to enforce it.⁵

In order to enforce this preposterous doctrine, he continued, the strikers had conspired to prevent the company from obtaining new employees and even from keeping those it had. They had deliberately circulated printed statements that the Reading was unsafe for travel in order to injure the company's business. They had threatened to boycott merchants who received their goods over the Reading. At three different places they had jeered and taunted men who refused to quit. Once soda was placed in the tank of a locomotive to burn it out. Every one of these acts, he said, "constitutes a criminal conspiracy for which both at common law and under the statute, every participator can be convicted and sentenced to fine and imprisonment, and for which an indictment can be found in any county in which a single act in pursuance of the conspiracy was committed."

Praising the character of the employees who had remained at work, he concluded:

For many years the Company of which I am president has been the advocate and champion of the right of the individual laboring man against the tyranny of trades unions, and now that the Brotherhood of Locomotive Engineers no longer has any influence over its employees, it can point with pardonable pride to the fact that among all of its twenty-two thousand men, not one will hereafter be obliged to submit to the degradation of asking his fellowman for leave to earn his daily bread.⁶

Gowen took only one more opportunity to raise his voice about the strike. As he rode on the train from his Mount Airy home on May 5, on his way to take ship for Europe, he heard some of his fellow-passengers talking about the fearful accidents caused by his new engineers. Sitting quietly until the train was nearing his destination, he suddenly rose from his seat in the front of the car and said in a soft but ringing voice: "Gentlemen, I have not been a voluntary listener to your discussion, but I will say that all these statements regarding loss of life, property, etc., on the Reading Road are false. Your informants lied in every particular, and if there are any further reports of a similar character, you can say that they are untrue, giving Franklin B. Gowen as your authority."⁷

⁵ Gowen, *To the Public* [Philadelphia, 1877], pp. 7-9.

⁶ *Ibid.*, p. 12.

⁷ *Philadelphia Times*, May 10, 1877.

By that time Gowen could afford to go to Europe and ignore the strike. Strike was hardly the word for it, in fact; the action of the Brotherhood had turned out to be only a mass resignation. The resigning engineers had cost the Reading some money in damages and a trifling loss of business, but they had made not the slightest impression on Gowen's resolution to oust the Brotherhood from his line. From the safety of his union's magazine Chief Arthur tossed verbal brick-bats at his foe:

... a total failure as a railway manager ... devoid of all principle ... an infamous and unmitigated liar ... we believe, if F. B. Gowen had his just deserts, he would spend the remainder of his days in State prison.⁸

Even on the propaganda front, however, the Brotherhood was fighting a losing battle. By forcing the issue Gowen had won a swift victory and eliminated the threat of future strikes. Just how shrewd his policy had been was revealed by a series of events beginning in July, which developed into the nearest approach to a social revolution America had ever seen.

On July 16 workmen on the Baltimore and Ohio struck at Martinsburg, West Virginia, against a proposed wage cut. They not only persuaded other employees to quit, but introduced a new weapon into labor disputes by taking over part of the railroad and stopping the trains. This made the strike a riot by contemporary conception, and the Governor, after failing to restore order with the militia, called on the President for troops. Similar trouble broke out at Cumberland, Maryland, but when the Governor of that state attempted to call out the militia, a mob surrounded them in Baltimore. The excited soldiers opened fire, killing twelve of the rioters, and the mob chased them into the station and set fire to the building. After the city police had driven off the mob, firemen were able to put out the blaze. On Sunday morning, July 22, Federal troops arrived to restore order in Baltimore, but traffic on the railroad was still blocked.

Meanwhile the Pennsylvania Railroad had been having even more serious trouble. Its employees had accepted a 10 per cent wage cut on June 1, but the company now announced a new economy measure. Instead of running two seventeen-car trains up the mountainous grades from Pittsburgh to Altoona, it would thereafter operate them as a single train with two locomotives, thus eliminating one train-crew. This double-header order started off quietly on the morning of July 19, but,

⁸ *Locomotive Engineers' Monthly Journal*, 11:313 (July, 1877).

after several trains had gone out, one crew registered a protest by refusing to leave the Pittsburgh yards. Other men gathered around, took possession of the switches, and stopped all traffic.

Now the Pennsy began to reap the results of the ill-feeling it had sown in Pittsburgh through years of alleged discrimination against the city. The community rallied solidly behind the strikers. When the railroad superintendent asked the mayor for protection, that official replied he had no police available, and refused to go to look the situation over. Hiring ten recently discharged policemen, the superintendent set out for the yards to open the switches, but changed his mind when a striker hit him in the eye.

That night the superintendent demanded action from the sheriff, who first ordered the strikers to disperse and then asked for the militia. The Pittsburgh soldiers proved too sympathetic with the laborers to be effective, and troops were then ordered sent from Philadelphia. The Philadelphia militiamen found thousands of people waiting for them when they arrived at the scene of the strike on Saturday afternoon. Advancing with fixed bayonets, they attempted to clear the tracks. The rioters threw stones and tried to wrest the rifles out of the soldiers' hands. The troops opened fire and killed a number of the mob.

At this the rioters dispersed, and the soldiers sought shelter in the roundhouse. Soon, however, the mob reappeared with added fury and laid siege to the roundhouse. The building was set on fire, but the militia held out until morning when they managed to escape across the river to Allegheny City. A week later the strike was finally broken with the arrival of Governor Hartranft himself with a trainload of troops.

These outbreaks seemed to be a part of a general uprising of the laboring classes all over the country, oppressed by four years of low wages and unemployment. Strikes broke out in New York and the Midwest, and respectable citizens, remembering the Paris Commune of 1871, feared that society was tumbling about their heads. In Reading, headquarters of Gowen's striking engineers, the news that the militia had shot down workmen in Pittsburgh created considerable excitement on Saturday night, July 21. There was talk of preventing local soldiers from going to Pittsburgh, and on Sunday evening this talk ripened into action. Although only a few of the Reading militia had been bold enough to turn out, a mob stopped the trains. Several freight cars were burned, and about midnight the bridge which carried the Reading tracks across the Schuylkill towards Harrisburg was set on fire. Firemen who attempted to put out the blaze were driven off with stones.

On Monday the mob continued to block the passage of the freight trains. The chief of police, the only local official who made any effort to preserve order, gathered his small force to try to clear the crossing at Seventh and Penn, where several thousand persons had assembled. A regiment of militia arrived that night and drove the rioters off a train they had stopped in the cut which ran between the depot and the post occupied by the police.

Forgetting all military principles, the soldiers then proceeded to march through the cut, which was three blocks long, about thirty feet deep, and lined with passageways on either side, high above the tracks. From these vantage points the rioters hurled down rocks, including one which was so large that it took two men to budge it. The infuriated soldiers opened fire, but shot blindly in front of them, instead of at their tormentors. Several of the policemen were wounded and eleven persons killed, most of them innocent bystanders. Once out of the cut, the militia managed to maintain order for a day until another regiment was brought in, which showed its sympathy with the mob. Finally, Federal troops arrived, and the trains began running again.

At the same time other strikes had broken out on the Lehigh Valley, the Jersey Central, and the Lackawanna. Next the anthracite miners joined in. For a few days it was touch and go whether the Schuylkill men would follow the other regions. With its treasury running low the Reading had not paid its employees in May or June. On Gowen's return from Europe he had arranged to send out the pay cars just as the railroad strikes were breaking out. This quieted the unrest among the Coal and Iron employees, but some miners began to talk of demanding pay on the basis instead of the 30 per cent reduction they were getting. When Gowen heard of this, he declared:

If coal rises in price the men will get the benefit of it under the sliding scale. This is no time for agitators to get up a strike, and if our men are weak enough to lend themselves to such a movement as to demand the \$2.50 basis when coal is only bringing \$1.50, and thus try to embarrass us and help the Wyoming region, we must tell them very decidedly that we don't want their services any longer. I have worked hard enough to find employment for all wise men among our workmen, and the quicker we get rid of the fools the better.⁹

At a meeting on August 2 the Coal and Iron employees were hooted out for opposing the strike, but only a few of the other miners decided to quit work. When two hundred demonstrators from Mahanoy City

⁹ *Philadelphia Times*, Aug. 2, 1877.

marched through the streets of Shenandoah early in the morning of August 7, Captain Linden and the Coal and Iron Police rounded up fifty of the ringleaders and sent them home before they could carry out their announced purpose of persuading the Shenandoah men to quit. The strikers next day all decided to go back to work, since Gowen held the upper hand. He had already forcibly expressed his opinion :

I promised the men steady work for a year and, in order to be prepared, took large contracts for coal. I have lived up to my word, and, when asked to stop by a combination declined to do so, because it would be a violation of my promise. If our men try to embarrass me by striking I must lose all faith in them, and they should know enough by the past to have learned that strikes do no good, and that the company is determined that no strike shall ever succeed in raising wages or in raising the price of coal . . . though we may not be able to advance the price of coal, we can always keep it down and it shall always be lower after a strike than before.¹⁰

With the last threat of a strike ended, the Schuylkill region had a monopoly of the coal market. Prices rose rapidly, carrying wages up with them. Pay for August was only 20 per cent off the basis, ending what was left of the discontent among the miners. Operators in other regions, enviously watching Schuylkill's full production, grumbled that Gowen was responsible for their strike. Some gave him a grudging compliment. A correspondent for the *Philadelphia Times* reported from Scranton on September 5 :

Affairs are progressing so well in the Schuylkill region under the wise management of President Gowen and his "sliding scale of wages" that many miners are going there from Luzerne. Gowen gets large praise for his skill in managing matters, having a head about as long as his railroad. A little of his statesmanship injected into affairs here would be in the nature of relief.

After a month the Lehigh district went back to work, but idleness still continued in the Wyoming Valley. There the familiar story had been repeated—riots, destruction of property, and the arrival of the militia. In Scranton, however, the strike did not end with the appearance of the troops, partly because some of the city officials were in open sympathy with the workmen. On one occasion the mayor's posse fired into a mob and killed three men. An alderman promptly called a jury of inquest from the bystanders, who brought in a verdict of murder

¹⁰ *Philadelphia Times*, Aug. 6, 1877.

against the posse. The constable arrested several of its members, but they were at once released by the militia.

Both sides maintained united fronts. When two Scranton collieries gave their men increases and went back to work, the Lehigh Valley raised its freight rates to Buffalo, where they were shipping. The collieries protested, and the Lehigh refused them cars until the timorous Asa Packer, fearful for his charter, overruled his superintendent. The workingmen stood together, despite their lack of an organization. They put a Greenback-Labor ticket in the field for the Luzerne County offices, and rolled up an incredible majority over both the old-line parties combined. By the middle of October the Scranton operators conceded an increase in pay, and the men went back to work, whereupon the price of coal dropped back to where it had been in July.

As an aftermath of the strike Gowen attempted to repeat the successes he had won in the Molly Maguire trials. He and George Baer, a young Reading attorney, who a quarter of a century later was to sit in Gowen's chair and win immortality as "Divine Right" Baer, joined the Berks County district attorney to prosecute the Reading rioters. Local sympathies, however, were too strongly with labor to be swayed even by Gowen's oratory. When the first group of men were brought up for trials on charges of having burned the railroad bridge, only two who admitted their guilt were convicted. In January, 1878, five more men were found guilty of taking part in the riots, but they were let off with a one-dollar fine and a sentence of six months, computed from the time they had been arrested, so that it was actually only a few days.

CHAPTER XIII

PEACE AND WAR

The results of the coal trade of 1877 had apparently justified Gowen's theory of increasing consumption by lowering prices. His aggressive sales policy, with the aid of the strike in the other regions, had nearly doubled the 1876 tonnage of the Coal and Iron Company. His economies of operation had effected a record low production cost of \$1.04 a ton, and the expense of transportation to tidewater had similarly been reduced to a new low of 20.3 cents a ton. Although the average price at Port Richmond had been only \$2.41, about a dollar a ton less than the lowest previous price on record, this still left a substantial profit margin of \$1.17. Nevertheless, even this was not enough to satisfy the voracious interest demands of the huge debt Gowen had piled up, and he was ready to sue for peace.

In November, 1877, anthracite brought an average of only \$2.35 in New York City, the lowest price ever obtained there. On December 10 the Philadelphia *Public Ledger* published an elaborate outline of Gowen's peace terms. He demanded that any new agreement should last for three years; that quotas should be set on total production, not merely on tidewater shipments; that all seven transportation companies be included; that weekly payments be made to provide a fund for the collection of fines; that the factors' commission be limited to ten cents a ton; and that mining should be stopped only during the winter. On the apportionment of the quotas he was willing to negotiate.

The delegates met in conference in New York on December 13 to discuss these terms. Following the usual conventions of diplomatic procedure, all reporters were excluded, but the story appeared in the papers, nevertheless. Present were the familiar faces of Gowen, representing the Reading, Thomas Dickson, president of the Delaware and Hudson, Samuel Sloan, head of the Delaware, Lackawanna and Western, and George Hoyt, of the Pennsylvania Coal Company. Colonel Thomas A. Scott, president of the Pennsylvania Railroad, made that company's first appearance at one of these meetings. There was a technicality over the credentials of Edward W. Clark, who explained that he could not be present as receiver for the Lehigh and Wilkes-Barre Coal Company, since in that capacity he was a court officer, but as president of the Le-

high Coal and Navigation Company he could agree to control production.

Asa Packer, however, was still clinging to the conscientious scruples he had developed two years before, which prevented him from placing any restraint on transportation. He sat in his office in the same building with the delegates, but refused to attend the meeting. Trying to get some satisfaction out of him, Thomas Dickson sent him a note, asking if he would agree to carry out plans suggested by the Lehigh operators, provided he could do so without violating his charter. Packer at first refused to endorse even this, but at length signed his name to the note with the added condition that all the operators must agree.

Since Packer refused to attend meetings, the Lehigh operators formally authorized Robert H. Sayre, vice-president of the Lehigh Valley, and Dr. G. B. Linderman, one of their own number, to represent them during the negotiations, as they had done unofficially on December 13. At the next conference, on December 18, Sayre proposed that production be limited merely by periodic agreements to suspend, with no other controls. The other corporations, however, decided to accept at least part of Gowen's terms. The conference issued a communiqué, announcing that agreement had been reached on establishing a board of control, on dividing the entire production, and on setting a fine for exceeding quotas. It did not mention that the Lehigh operators insisted that Sayre should hold their deposits to guarantee payment of their fines, which meant that they would pay the penalty only when they felt like it. Minimum prices were also quietly forgotten.

The most important point, however, had not yet been decided. At a third meeting on December 27 the conferees attempted to divide the allotments among the companies. Since he had had 33 per cent of the total production in 1877, Gowen refused to take less than 31. The Lehigh men, granted 18 per cent by the committee, demanded 20. Sloan, of the Lackawanna, asked for 17 per cent instead of the 12 he was allotted. Failing to reach an agreement, the conference decided to try again at Philadelphia on January 2. There it was first proposed to base the percentages on the average production of the last five years, but Gowen and Sloan refused to accept this because their quotas would have been too low. The average of the previous ten years was also voted down. Next a compromise was suggested, giving the Reading 28¾ per cent, the Lehigh 18¾, the Jersey Central 13¾, the Hudson and the Lackawanna 12¾ each, the Pennsylvania Railroad 7¾, and the Pennsylvania Coal Company 6. This satisfied everybody but the Lehigh men, who refused to accept it, and the meeting broke up.

The desire for a new combination was too strong, however, to allow this decision to end the efforts toward peace. Edward C. Knight, head of the American Sugar Refining Company, who had had some dealings with the Pennsylvania in his capacity as president of the North Pennsylvania Railroad, and who was also a friend of Gowen's, met with Gowen and Tom Scott a week after the Philadelphia meeting. The Reading president offered to surrender part of his quota to the Lehigh if the other companies would do the same. On this basis enough concessions were obtained to give the Lehigh an extra 1 per cent, and the combination was saved.

The new agreement got off to a shaky start. Consumers everywhere had prepared for the expected rise in prices by stocking up to the limit of their capacity. A Massachusetts coal dealer said there was enough coal in New England to last through half of 1878. Rumor declared that the contract had not been signed. Gowen admitted the truth of this report, but said that it was irrelevant, since resolutions adopted by the board of control did not need to be signed.

The legislatures of both New York and New Jersey decided to investigate the combination; their sudden interest in the people's welfare was said to have been due to the efforts of bearish speculators to drive the anthracite stocks down. The New York committee called in all the officials of the coal companies within its reach and learned a good deal about the coal trade. The investigators conceded that anthracite had not yet been raised to extortionate levels, but one of them asked George Hoyt, of the Pennsylvania Coal Company, what was to keep the combination from raising prices five dollars a ton instead of a mere dollar. Hoyt replied:

... from talking with Mr. Gowen, of the Reading, I think I know what his views are of the larger percentage, and I think he would be decidedly opposed to any such thing, and don't think you could hold him in it if there was an idea or attempt to hold prices up above a fair point.¹

Although Gowen himself did not testify, the committee was apparently satisfied that his restraint would hold his competitors in line and recommended that no action be taken against the combination. The New Jersey committee went even further, reporting its approval of the combination.

¹ New York State Assembly, *Documents, 1878*, VII, Document 128, "Report of the . . . Committee on Railroads Relative to the Coal Combination," p. 48.

While the price of coal rose, the increased cost of part-time production reduced the additional profit. The collieries shut down, worked briefly, then shut down again. In the first three months of 1878 the Schuylkill miners had only thirty days of work at low wages, and pay days fell a week or two behind. In Shenandoah seven families visited by a reporter had had only bread for a week, and not half enough of that. The Knights of Labor, who had found fertile soil in the Scranton district as a result of the 1877 strike, attempted to extend their organization into the Schuylkill region. A Tamaqua dispatch to the *Philadelphia Times* on May 4 reported that the coal fields were "alive with lodges of the communistic movement," adding: "President Gowen, of the Philadelphia and Reading Railroad, has private detectives in the field, but the movement is strong, gains daily, and seemingly defies detection."

Gowen's experience of the past ten years had by now developed in him an uncompromising attitude towards labor unions. He expressed this attitude in a lecture delivered before the Pottsville Athenaeum on April 1, 1878. Every man, he said, had the inalienable right to the pursuit of his own happiness in his own way, but he surrendered that right when he joined a union. Selecting the objections to labor organizations which are still most valid today, he argued that they restricted production. The skillful workman, he said, was compelled to limit his own production, and the means that he would thereby accumulate for himself and his family, in order that the lazy and unskillful might find something to do. Restrictions on the number of apprentices prevented others from learning the trade. The great misfortune of all trades unions, he declared, was that they were composed of a class of men engaged exclusively in some particular calling, who sought to advance their own interest at the expense of other classes. Moreover, the restrictions imposed by the unions caused the public to pay higher prices for its goods.²

In spite of this attitude, Gowen was far ahead of his time in his consideration for the rights of his employees. Taking recognition of the hardships caused by the low wages resulting from the low prices of 1877, he established a new wage basis for 1878. Minimum wages were determined by the freight rates with a maximum of 30 per cent reduction from the \$2.50 basis. If freight rates rose to \$1.50 to Philadelphia, the minimum pay was 20 per cent off the basis; \$1.75, 10 per cent; and \$2.00, no reduction. If the basis determined by the price of coal should be higher than these minimums, then the higher wage rates would be

² *Pottsville Evening Chronicle*, Apr. 2, 1878.

paid. This new system gave the miners some slight relief, but it was not popular with the individual operators, who now had to pay higher wages along with higher freight rates.

As an additional boost to morale, he spent twenty-five thousand dollars taking all the employees of the Coal and Iron Company on a one-day excursion to Philadelphia, entertaining them with a dinner, a trip to the zoo, and a visit to the Permanent Exhibition in Fairmount Park, a survival of the Centennial Exposition of 1876. Much of his time was also taken up with attempts to adjust grievances among his employees. Frequently a disgruntled miner would write to the head of the company to complain about his foreman in some such vein as this:

I feel it my duty to inform you off a few Remarks and a few Sperements witch have made and see it is a sinn and a Shame to let a man do on as this man Renolht the inside Boss of this Plase he will not do as he is averice to do By the Compny i am Shure fo the Compny do not Eny of thare Bosses to fight or quarrell with Eny of the men or ask the men to do more the is Right But he will ask aman to do more then a man can Realey and if he don't do it he will start to quarrell with you and if you go to show him that he is Rong then he will tell you to leave the Plase and if you dont go Right off he will draw the Revollver at you, and then what will you do whe as Coal miners here we are all siveliced men and whe would like to Be treated as suth and like Brutes if we complain to the Districk Superendent he will tell us that he is Boss and not the men that is all Right But aman is a man and Should Be Respected as Such and not like Brutes, nor Mr F. B. Gowen whe the men of donaldson would Be very mutch obliged to you if you would just investigate this matter and see whether this man if fit for the Posision witch he holds at the Present time and if you want Eny information in regard to his Conduct and treatment towards men just ask some Prominent men of our neighboring Towns there is not aman that talks a good word for him the Hole year Round or within tinn miles Reach Exsept one or tow and those are in whit him whe Pray Mr. Gowen that you will send some one here to investigate trubel here he is not the man you want as you said you wanted the men to what was Right and you would do likewise*

Each letter Gowen would refer to his mining superintendent, asking him to make an investigation. Although the resulting investigation was hardly likely to be unprejudiced, Gowen at least showed concern about these complaints. On one occasion he wrote to the Pottsville office:

I do not want to annoy you with matters of this kind more than to ask you in case any well-grounded charge is made of partiality

* Anthony Treggle (?) to Gowen, June 18, 1878, in P. & R. C. & I. Co. Letter-book No. 2.

to see that no injustice is permitted to be done by anyone of our Superintendents.⁴

When a Mahanoy City doctor asked to have his bills taken out of the men's wages, Gowen refused to comply with the request, saying:

I think . . . our rule is the correct one to pay the men in cash for what we may owe them and let them attend to their own private affairs without any supervision from us.⁵

This considerate labor policy earned the loyalty of most of his employees. In August, 1878, when the Knights of Labor considered calling a strike, the Coal and Iron miners showed their confidence in Gowen by standing almost unanimously against the movement. Another factor in halting the proposed strike was the improvement of trade. As the inventories left over from 1877 were used up, demand increased during the last half of 1878, and production quotas were raised.

Trouble was developing within the combination, however. At its September meeting the board of control voted to extend the agreement until April, 1879, but in October the Lehigh operators refused to agree to the continuation. They demanded a new pact, restricting only competitive production, since an increase in their local trade was depriving them of what they thought was their fair share of the general market. Gowen and Dickson, of the Delaware and Hudson, appointed as a committee to work out a new arrangement, told a representative of the Lehigh operators that they were willing to meet him any time before the end of the year, provided he had authority to speak for the Lehigh Valley Railroad. When the Lehigh men refused to complete the negotiations within the time set, unrestricted warfare was resumed.

With the operators thus divided, labor for a moment threatened to reassert its control over production. Gowen attempted to head off any strike movement by offering the prospect of steady work for 1879 and guaranteeing that wages would never be more than 20 per cent below the basis. His promise would have had more appeal if the financial difficulties of his company had not been causing paydays to lag farther and farther behind their regular schedule. The resulting discontent stirred up talk of a strike. The individual operators also seemed in a mood to cooperate, since they were bitter at Gowen for maintaining high freight rates and making them pay high wages. A Girardville miner explained the strategy to a Philadelphia *Times* reporter on

⁴ Gowen to S. B. Whiting, Aug. 26, 1879, *ibid.*

⁵ Gowen to Dr. Philip A. Bissell, Apr. 19, 1879, *ibid.*

January 23, 1879. He declared that the Knights of Labor planned to smash the Coal and Iron Company and take over the regulation of prices, adding: "We will never get a chance as long as Gowen rules the roost. If we could get him out of the way, we would be all right."

If that was the attitude of the union, Gowen decided, it was time to strike at the organization. Writing to his mining superintendent, he said:

Please publish in all of the local papers on Saturday the letter from me about the Knights of Labour. . . . [I] think it is time we put a stop to the agitation about a strike—I am told that the Catholic clergy are outspoken in the denunciation of the order & the longer we allow it to gather headway the more power it will have for mischief.⁶

The letter in the Saturday papers was intended to be something of a sensation. A secret meeting of the Knights of Labor on January 14, he revealed, had appointed a committee to call on him to discuss payment of back wages. The committee, he said loftily, consisted of a tobacconist, a dentist, and a wheelwright, none of whom had any interest in the company. If wages were not paid by February 15, a strike was to be called the next day. Gowen instructed his superintendent:

We certainly do not claim the right to interfere in any manner with our men joining any society they may think fit to become members of, but if any secret society makes a direct attack upon us we must decline to have anything to do with its members, and therefore . . . [if a strike should occur] you will at once dismiss from the employment of the company all members of the Knights of Labor who may take part in it.⁷

To make clear the extent of his information, Gowen gave the names of all who had attended the January 14 meeting. He also listed thirteen members of "McNulty's gang," who were to commit acts of violence if the strike were called, a sort of miniature Molly Maguire organization. The Knights of Labor indignantly denied this aspersion on their character and demanded a grand jury investigation. The men Gowen had named as members of the gang, they asserted, could not be found at Philadelphia Colliery No. 3. When he replied that they lived elsewhere, the Knights triumphantly asked what had become of John Maguire's house, their supposed meeting-place, which no one had been able to locate.

⁶ Gowen to S. B. Whiting, Feb. 13, 1879, *ibid.*

⁷ Philadelphia *Times*, Feb. 15, 1879.

The argument over McNulty's gang, however, was the only demonstration put on by the secret society. The strike for back wages did not take place on the scheduled date, and Gowen scraped up enough money to pay the men a week later. The Knights did discuss a general suspension in all the coal regions and called a joint meeting with the operators at Harrisburg on March 11 to discuss the idea. When the representatives of the operators failed to appear in Harrisburg, the plan was quietly dropped.

In his attack on the Knights Gowen was on the same side as the Catholic priests. The clergy opposed the organization, just as they had fought the Hibernians, because it was a secret society, even though the Knights of Labor seemed to be almost as respectable as the Masons or the Odd Fellows. To keep their congregation out of the order, they formed a Catholic Workingmen's Society. Father Daniel O'Connor later gave Gowen a brief history of this organization, saying:

The Miners &c of this—Girardville—District had not been paid since the previous November (78) it was then beginning of February (79). Great distress prevailed among them, and those who had no credit at the stores were forced to sell their checks at a large discount or remain without the necessities of life. Men were known to go to work in the latter part of January & beginning of February with Empty Dinner Cans, carried for form sake and to conceal their poverty. They suffered very much too from want of boots and proper clothing. The merchants then began to grumble that they could not meet their engagements. And The Knights of Labor, who had got Scarcely a footing among the Irish Catholics the previous Summer & Fall seized the opportunity & stirred up the discontent. The result was—One evening a rumor spread that the men would not work next day, and next morning such was the uncertainty about Pay and sympathy, with those who were really suffering that no one went to work. A meeting of Knights was held at once. Advantage taken of the momentary excitement & Confusion—those who were not Society men did not know what to do—and some 300 were enrolled in the order. Those who saw the trick of the Knights were powerless and were afraid to speak as they could not tell who was a Knight & who was not.

In these circumstances I immediately prepared a draft of the Enclosed [constitution] which was heartily approved by Archbishop Wood. I called together about 60 of the most Sensible men and our first step was to get the Men to work. They called—or had called a public meeting next day, at which it was resolved to notify the District Superintendent that they were ready to work. This ended the Strike which had been sprung on the vast majority of the men against their will.

We at once organized the new Society so that those who would not join Secret Societies should not be at their mercy any more. We then provided for keeping any individual grievance from being publicly discussed before the men and to use our influence to have it decided strictly according to the rules of the Company.⁸

This move by the priests unfortunately accentuated the difference between Catholic and Protestant workingmen. Complaints of religious prejudice were frequent. Religious discrimination was the obvious background of a letter Gowen mentioned to his mining superintendent on March 7, 1879:

In a letter received from Father O'Reilly he says that it has come to his knowledge that the Knights of Labor have been able to get work at our collieries when others have been refused.—If that is so, it may result from some of our Bosses being members of the organization, or from influences which they could not resist being brought upon them to favour members of the obnoxious organization. . . . Now that you have pretty full lists of the members in the troublesome part of the County you might look over them carefully to see if any Bosses or Superintendents of the Company have joined the order.⁹

Father O'Connor's society drew the anger of Terence V. Powderly, workingman mayor of Scranton, himself an Irish Catholic. As one of the leaders of the Knights of Labor, Powderly saw the danger of splitting labor along religious lines. A speech by Powderly at a Shenandoah picnic on July 24 resulted in a newspaper controversy with the Girardville priest, who insisted that Powderly was attacking the Church.

Before long Father O'Connor began to suspect that the bosses were joining with the Knights to discriminate against his society. He appealed to Gowen to have the matter remedied. Referring to the support the archbishop had given to the campaign against the Molly Maguires, he said:

Archbishop Wood has been coupled with your name so often during the past two years that many believe ye are combined to run the P & R Co and enslave the workingmen. Even this shows how much the agitators depend on the Irish workingmen and if the latter keep out of the Societies there can be no fear of foolish strikes. If your Catholic workmen are governed by men whom they can approach, to whom they can speak and explain their wants, by men who will reason with them & treat them with Justice,

⁸ O'Connor to Gowen, Mar. 15, 1880, P. & R. C. & I. Co Letterbook No. 2.

⁹ Gowen to S. B. Whiting, *ibid.*

you will not find a more loyal or docile people in the Land. The just decisions of Mr. Whiting during the past year in some cases from this District gave our men great courage! But they cannot and they do not wish to recur always for redress to the higher authorities. They are liable for doing so to be accused of complaining, giving trouble &c & to be unfavorable contrasted with the other Nationalities who have not to Complain. . . .

What we want is a general fair treatment of all the men, and this I think I need not tell you cannot be attained by orders, no matter how stringent, So long as those to whom they are given have no sympathy with the objects of them. These orders are rather looked upon as restrictions of their legitimate freedom and to be evaded by all means.

I confidently rely on your sense of Justice so well known to do something for your Catholic workmen in this matter. They are most grateful for what has been done so far & equality will make them most loyal.¹⁰

To this Gowen replied very tactfully that he could not dismiss a boss merely because some of the men did not like him.

If, however [he continued], there is any authenticated case of the discharge of a man because he was an Irishman, or because he was a Catholic, or because he belonged to the Catholic Workingmen's Society, we would instantly dismiss the Superintendent who had made the discharge; and if there are any just grounds even of suspicion that there is any movement among our Superintendents to discriminate in any manner against Irishmen or against Catholics, we will see that the proper steps are taken to prevent it. I have already issued an order upon this subject which I thought would do some good, and have had very many conversations with Mr. Whiting upon the subject; and I will take the liberty of sending your letter directly to him today and asking him to confer with you upon the subject with a view of doing everything in his power to avoid even suspicion, for I know how important it is to be above suspicion in a matter of this kind. You must not forget, however, that one in your position of a father of a flock and all your people come to you for sympathy and advice, and I have no doubt sometimes your heart may be led to take part with them when your cooler judgment would satisfy you they had no reason to complain. Let this be as it may, however, we are determined that there shall be no real cause of complaint; and I trust after you see Mr. Whiting you will agree that he is as desirous as I am about this matter.¹¹

In the midst of all these activities Gowen had embarked on a curious venture in Brazil. In November, 1877, the *Philadelphia Ledger* boasted

¹⁰ Daniel O'Connor to Gowen, Mar. 15, 1880, *ibid.*

¹¹ Gowen to O'Connor, Mar. 26, 1880, *ibid.*

that Gowen, in an effort to increase Philadelphia's trade with South America, had just obtained a contract to furnish five million dollars worth of rails for the Madeira and Mamore Railroad Company. This was to be a narrow-gauge line in the heart of the Brazilian jungle, running 180 miles from the foot of the Andes to the Madeira River, whence it was only some 1,500 miles down the Amazon to the sea. An English firm had already given up the attempt to build the road, but American ingenuity was not to be dismayed by a British failure.

This announcement reflected Gowen's optimism rather than the actual facts. The projected railroad had begun in the mind of an American named G. E. Church, who claimed the title of colonel for service during the Civil War. A promoter in whom Gowen must have found a kindred soul, he had arrived in Bolivia in 1868 with a proposal for giving that land-locked country an outlet to the sea by constructing a canal around the rapids in the Madeira River to permit ships to sail from the Amazon into Bolivia. Undaunted by the prospect of digging a 150-mile canal through the heart of the Brazilian jungle or by his own lack of funds, he obtained a valuable concession from the Bolivian government, effective on the completion of the canal, and returned to the United States to obtain a charter from Congress for a National Bolivian Navigation Company. He capitalized his company at \$2,500,000, taking two millions in stock himself in exchange for his concession. Most of the rest of the stock was sold to a trusting soul named Irwin Davis for sixty thousand dollars, the only cash the company ever had.

After obtaining another concession from the Brazilian government, he went to London and organized the Madeira and Mamore Railroad Company, the projected canal having turned into a railroad. An enthusiastic prospectus sold four million dollars worth of bonds to the English public in 1872 on the promise that the railroad would be built within two years. The financially-straitened Bolivian government was promised 17 per cent of the net proceeds, and Colonel Church obtained \$100,000 of the money for his Brazilian concession. Fortunately for the bondholders, the remainder was to be held in trust until the road was built.

An English firm, the Public Works Company, took the construction contract after a hasty inspection by one of its engineers. The first party sent out, however, soon discovered that the 150-mile length of the proposed road, a distance which Colonel Church had obtained by laying a ruler along a map, was actually nearer two hundred. Moreover, labor costs were twice as high as the colonel had predicted. When the

Public Works Company had spent \$225,000 in the jungle, it abandoned the project.¹²

While the railroad languished for five years, Bolivia cancelled its concession, but the colonel maintained that the cancellation was illegal and secured a promise from Brazil to guarantee any additional bonds that might be needed. The bondholders brought suit to have their money returned, but in 1877 the case was decided against them. On his trip to Europe that summer Gowen apparently met the promoter and entered into his scheme with characteristic enthusiasm. Although Gowen did not attempt to build the road himself, he agreed to furnish the rails and deposited two hundred thousand dollars of the company's money with the McCalmonts in London as a guarantee for the actual contractors, Philip and Thomas Collins, of Philadelphia.

Gowen shepherded the Collins brothers with paternal care. He found a man to take charge of shipping for them, and probably recommended many of the engineers, who came from southeastern Pennsylvania. As the first vessel of the expedition prepared to leave on January 2, 1878, such crowds gathered on Philadelphia's water front that old-timers recalled the days of the Gold Rush. In spite of the police cordon on Willow Street wharf, the ship's passengers could scarcely make their way through the mob. While the *Mercedita*, loaded with Reading rails, swung out into the stream, the whistles of a dozen tugs shrilled a salute. All the way down the river, whistles, bells, and cheers urged on the departing voyagers.

The New York *Herald* that day pridefully commented on the historic occasion:

A national interest centres in the voyage of this ship, for the reason that it is the first time in the history of this country that an expedition has been sent from the United States, equipped with American money, material, and brains for the execution of a great public work in a foreign country.¹³

From there on, however, disaster dogged the path of the Collins brothers. The second steamer was wrecked off Cape Hatteras with the loss of a hundred lives. Italian laborers on the third vessel stirred up trouble before the ship even left port. Loneliness, strikes, and disease were only a few of the tribulations which wracked the jungle camp. The Reading rails were used to construct a lock-up for the strike

¹² London *Times*, May 23-31, 1879, reporting the case of *Wilson vs. Church*.

¹³ Quoted in Neville B. Craig, *Recollections of an Ill-Fated Expedition* (Philadelphia, 1904), p. 23.

leaders. Fifty men deserted to try to make their way through the wilderness to the Bolivian gold mines. One man who managed to get back to Muncy, Pennsylvania, reported that half of the 700 men taken to Brazil had fled, and 280 of the rest were sick.¹⁴

When the English bondholders renewed their suit, the Collinses welcomed the excuse for withdrawing from the project. In January, 1879, 220 destitute Americans, the last survivors of the expedition, came back to the United States.¹⁵ A few months later the English courts ordered the trust fund returned to the bond-owners, terminating the last hopes of the promoters. Including \$50,000 paid Colonel Church for stock in the railroad, the Collins brothers lost nearly half a million dollars on the venture, most of which had probably come out of the Reading's treasury. The colonel lived long enough to see a more successful expedition return to the Mamore twenty-five years later. The newcomers found one of the Collins locomotives abandoned in the jungle and put it to work to complete the road, which is still being operated by the Brazilian government.

Gowen's ideas for improving the company's business nearer home met with more success, although they were to result in the last great war among the maturing Eastern railroads. For seven years he had been operating in more or less harmonious relations with the Pennsylvania. One source of friction had been that road's rebate system, which, Gowen claimed, prevented him from selling anthracite in Erie to any but a few favored dealers. Unable to break the system, he had angrily turned to the Erie Canal as an alternate route to the Great Lakes, pending the development of new rail connections. He had, however, continued to use the Pennsylvania's line to New York harbor, but now his attempt to lower prices required cheaper freight rates. When the Pennsylvania refused to reduce its charge, Gowen began looking for a new route.

In December, 1878, he came to an agreement with the Jersey Central and the North Penn-Bound Brook system to use its line to New York. This new route had been built only a few years earlier. With profits derived from its main business of hauling Lehigh coal from Bethlehem to Philadelphia, the North Pennsylvania had constructed a branch, the Delaware and Bound Brook, running from Jenkintown to Bound Brook, New Jersey, where it connected with the Jersey Central to reach New York.

¹⁴ Muncy *Luminary*, quoted in *Shenandoah Herald*, Sept. 6, 1878.

¹⁵ *Miners Journal*, Jan. 30, 1879.

Gowen's close friendship with E. C. Knight, head of the Bound Brook system, made the alliance personal as well as corporate. Through an agreement with the Philadelphia, Wilmington, and Baltimore Railroad, he secured another important ally in the Baltimore and Ohio by offering it a new route to New York. The B. & O., which had been using the Pennsylvania's tracks to reach that city, was happy to be relieved of the difficulties it had been having. When, for example, the B. & O. had put on a new fast train which beat the Pennsylvania's schedule between Chicago and New York by an hour, the Pennsy had suddenly found it necessary to hold up the B. & O. trains for an hour in West Philadelphia.

In reprisal for the injury Gowen was doing its business, the Pennsylvania struck back by taking away its freight from the West destined for points on the Jersey Central, which it had hitherto sent over the Reading's line from Harrisburg to Allentown. Instead, it moved this traffic over the Northern Central to Sunbury and Shamokin, then over the Lehigh Valley to Easton.¹⁶ The Reading thereupon refused to allow the Pennsylvania's locomotives to travel over its lines in Philadelphia, as they had been accustomed to do. The Pennsy replied by ousting the Reading's engines from the Junction Railroad.

This Junction road had been built a number of years earlier along the west bank of the Schuylkill by the Reading, the Pennsylvania, and the Philadelphia, Wilmington, and Baltimore. After the three-mile line had been constructed, the Pennsy insisted on taking its third out of the middle by claiming as its own the part of the line it had itself constructed. The road was important to the Reading because it provided its only connection with its branch to Chester, as well as its connection with the B. & O. over the P. W. & B. This particular bit of bickering was soon settled, but the feud went on.

Gowen sent Pinkerton detectives to Harrisburg to investigate the Pennsylvania's lobbying activities over the Railroad Riots Act. This was a bill to have the State assume the liabilities for the damage done to property in Pittsburgh during the riots of 1877, liabilities which under the existing law were placed on Allegheny County. The bill provided an appropriation of four million dollars, almost twice as much as the actual damages. In hopes of gaining a better settlement than it could expect from the county, the Pennsylvania joined the Allegheny representatives in backing the proposed legislation.

William H. Kemble, a Philadelphia banker, came up to Harrisburg to take charge of the lobby. As public opposition developed, the price

¹⁶ *Miners Journal*, Jan. 17, 1878.

of a vote for the bill gradually rose from \$300 to \$1,000. With the aid of his detectives, Gowen later declared he was "practically a member of the Legislature of the Commonwealth of Pennsylvania, by proxy, for two or three months," but none of the evidence gathered by the Pinkerton men was ever used. A special committee of the legislature ferreted out enough testimony to kill the bill and bring indictments against Kemble and four of his assistants.¹⁷

To make his hold on the route to New York more secure, Gowen in May, 1879, took a lease on the North Penn-Bound Brook system. The rental, payment of all fixed charges and a guaranteed dividend of 6 per cent, running up to 8 in five years, was relatively moderate, compared to the earning power of the roads. Moreover, the cost of hauling coal to New York over this line was only half what it had been over the Pennsylvania. Gowen also leased the wharves owned by the Delaware, Lackawanna and Western at Elizabethport, which that road had abandoned when it shifted its traffic from the Jersey Central to the Morris and Essex. He would probably also have taken over the Central itself if the McCalmonts, so rumor ran, had not objected to leasing the bankrupt road. A new three-mile road in North Philadelphia connected the Reading's Germantown branch with the North Penn, and made it possible to run the New York trains out of the Reading's down-town station in Philadelphia. Alarmed at this new competition, the Pennsylvania, which had its passenger terminal in West Philadelphia, decided to erect a new station on Broad Street, an even more convenient location than the Reading's.

The Lehigh Valley was taken unawares by this sudden move. A surprised Lehigh official said hopefully that the Reading would probably find it wise to continue the existing traffic agreement, under which the North Penn carried the Lehigh's coal to Philadelphia, but his company prudently began to survey a new line to that city. Instead of constructing another road, however, the Lehigh started a traffic war by cutting its rates so low that coal could be shipped the full length of its line to Perth Amboy, then south over the canal to Philadelphia, as cheaply as Gowen would haul it.

In the midst of these troubles Gowen found himself involved in an even fiercer battle. This resulted from his venture into the oil business, which had begun just twenty years before when Colonel Edwin L. Drake brought in the first well at Titusville. In the relatively short time which had since passed, the Standard Oil Company had established a

¹⁷ The investigation was printed as Document No. 32 in *Pennsylvania Legislative Documents*, 1879, V.

tight control over transportation out of the petroleum country through rebate agreements with the major railroads. Restless in the grip of the monopoly, the independent producers tried to find a new route to sea-board. They were able to discover an independent railway to take their oil to Buffalo, whence it could reach New York over the Erie Canal, but this route was roundabout and unsatisfactory, since the canal was closed in winter.

In their search for a better road, three Titusville men approached Gowen with a proposal to construct a pipe line 110 miles over the mountains from Bradford to Williamsport, where it could connect with the Reading. Pleased with the prospect of sharing in the oil trade, Gowen agreed to put up \$250,000, half the needed capital. He also promised the producers reasonable rates, and assured them that they would never have to pay more than any one else. Although the first public mention of this independent line appeared in March, 1878, Gowen then refused to comment on the grounds that it might be detrimental to the new company. Ten months later, however, he made the formal announcement that the pipe line would be built, explaining with a naïveté which must have been assumed:

The oil which is to supply this pipe line will not be taken away from any other railroads, as it belongs to an association which, up to this time, on account of some inexplicable difficulty in obtaining an outlet for their product over lines of railway, have been compelled to send their oil for refining to New York by the Erie Canal. . . .¹⁸

In spite of the determined opposition of the Standard and its railroad associates, this new Tidewater Pipe Line was completed in three months, and on June 1, 1879, the first oil reached Williamsport, where Gowen had built huge tanks and a half-mile siding so that a train of thirty cars could be loaded in minutes rather than hours. In Gowen's fleet of two hundred tank cars the oil was hauled to its major market, an independent refinery at Chester. Other oil moved to Bayonne, New Jersey, over the Jersey Central, which connected with the Reading near Tamaqua. New independent refineries were constructed at Williamsport and Communi-paw, the Jersey Central's terminal in New York harbor.

To Gowen's apparent surprise the Standard and its allies did not take kindly to this new form of transportation. The Standard tried to acquire control of the Tidewater. Rebuffed in this, it offered to buy all the petroleum carried by the new pipe line. When that failed, it began

¹⁸ Pottsville *Miners Journal*, Jan. 6, 1879.

purchasing the independent refineries to deprive the Tidewater of a market. The railroad men started an even more vigorous war. A. J. Cassatt, of the Pennsylvania, Hugh J. Jewett, of the Erie, and William H. Vanderbilt, of the New York Central, met in Saratoga on June 5, 1879, with Henry M. Flagler, representing the Standard Oil Company. Although Flagler argued for compromise, the trunk line heads insisted on crushing the Tidewater by slashing their rates. Freight charges between Bradford and Philadelphia fell from eighty-five cents a barrel down to twenty-five, to twenty, and even fifteen.

The Pennsylvania threw the Junction Railroad into the battle by setting a rate of fifteen cents for every barrel that passed over its one mile on the way to Chester, as much as it charged to carry oil from Bradford to Philadelphia. Gowen paid in order to keep the petroleum moving, but he later recovered the exorbitant charge by a lawsuit. The Baltimore and Ohio refused to take part in the ruinous warfare, and the New York Central was soon ready to cry quits. The Pennsylvania, however, stayed in the fight all summer and on through the winter, and Gowen fought back, even though it cost his company a half million dollars, as he later admitted.

With warfare raging all around him, Gowen attempted to sue for peace on the coal front. Unrestrained production was turning out 26,000,000 tons in 1879, 20 per cent above the best previous year, but prices were tumbling as they had in 1877. Insisting that higher prices could be obtained, Gowen asked the other companies to join in raising them. When the Delaware and Hudson declared it could get no more for its coal, he offered to take all it could produce at \$2.50 a ton. After absorbing the Hudson's surplus at a loss for three months, he abandoned the effort, whereupon the D. & H. began shipping its coal to Philadelphia on its own account to compete in the Reading's market. In October, therefore, Gowen accepted the suggestion of Judge Francis S. Lathrop, receiver for the Jersey Central, that a new coal combination be discussed. Along with the Central, the three Scranton companies and the Erie, which was now becoming a more important anthracite carrier, he signed a contract for the control of production and sales. This agreement lapsed, however, when the Pennsylvania and the Lehigh refused to sign.¹⁹

In January, 1880, Gowen took his petroleum battle into the halls of Congress when he appeared at a hearing held by the House's Commerce Committee on a bill to prohibit discriminatory freight rates. Attacking the Standard and the Pennsylvania Railroad, he reviewed the history

¹⁹ *Miners Journal*, Oct. 4, 1879.

of the Tidewater Pipe Line for the Congressmen. Although he defended discrimination between places as a necessity of competition, he bitterly denounced discrimination between persons such as the agreement under which the Standard got a rebate not only on its own oil but also on the oil shipped by its competitors. Instead of the proposed commission to prevent discrimination, however, he suggested that prompter relief could be obtained if the Federal courts were empowered to issue writs of mandamus, compelling common carriers to transport goods at non-discriminatory rates. Redress in Pennsylvania, he said, was impossible because of the political influence of the large corporations; he conveyed the idea that even the State Supreme Court was dominated by the Pennsylvania Railroad.²⁰

He delivered another glancing blow at the Pennsylvania by going to Harrisburg in March to take part in the bribery trials resulting from the Railroad Riots Act investigation. The first case to come up was that of Emile J. Petroff, a Philadelphia assemblyman who had been made the scapegoat of another bribery exposé five years earlier and expelled from the legislature as a result. "Colonel" Gowen, as the local reporter called him, naturally assumed the leading role in the trial. Before the first juror was ever drawn, he had argued the presiding judge into reversing himself. He made the concluding address to the jury, a moving and flowery appeal for punishment of "a crime that has destroyed the grandeur and glory of this Commonwealth and which has made this State in which I was born and hope to die a by-word in the other States of the Union."

This plea received considerable applause, and a member of the jury said later that they had been agreed on Petroff's guilt before they left the box. The other four defendants promptly pleaded guilty, seeing no chance to escape conviction. They understood that they would be pardoned immediately, but Gowen and his fellow-counsel surprised them by deciding to object to a commutation. Horrified at the prospect of going to jail, the frightened defendants disappeared for a week before they could get up enough courage to return to court for sentence. Kemble, the chief lobbyist, lingered in Atlantic City for still another week until he was informed that detectives were being sent after him. He left just in time to reach the railroad station in Philadelphia before the detectives arrived. Ignoring their attempt to arrest him, he insisted that he was going to Harrisburg to surrender voluntarily. At the State capital one of the officers tried to take him to the county jail, but he was

²⁰ Gowen, *Argument . . . before the Committee on Commerce of the House of Representatives . . . January 27, 1880* (Philadelphia, 1880).

warned by a State senator to treat Kemble with proper courtesy. For a moment it appeared that the banker might have to undergo the indignity of a night in prison, since no judge could be found to admit him to bail, but a deputy sheriff released him until the court met next morning. To make the pardoning of the five men politically practicable, the judge gave them such a severe sentence that public opinion swung around to their side. The Pardons Board at once remitted their one-year jail term, although they were each required to pay a thousand-dollar fine.

The conclusion of the bribery trials began an armistice in Gowen's warfare. The Pennsylvania came to an agreement with the Tidewater and restored its oil rates to a more remunerative level. The Standard itself built a pipe line which connected with the Reading at Milton and shipped its oil over Gowen's road. The coal companies had already reached an unofficial agreement to limit production by periodic suspensions, an understanding which was to be continued for many years. Gowen's alliance with the Baltimore and Ohio was cemented by a personal friendship with the Garrett family who controlled that road, a friendship which was to be ended only by death.

New branches were projected as soon as the necessary capital could be obtained. The Catawissa line to Williamsport was to be extended northwest to Port Allegany. There it would connect with the Buffalo, New York, and Philadelphia, running from Buffalo to Emporium, and provide the long-coveted outlet to the Great Lakes, independent of the Pennsylvania's rebate system. Another line might be constructed west from Milton to the soft coal field, perhaps even as far as Pittsburgh. A line south from Harrisburg would connect with the Baltimore and Ohio at Cumberland, Maryland. Most interesting of all was a still nebulous plan for a road between Harrisburg and Pittsburgh, which Andrew Carnegie was urging upon him. This might make the Reading part of a new trunk-line. A railroad empire even vaster than Gowen's anthracite kingdom seemed to loom just beyond the horizon.

CHAPTER XIV

BRINK OF DISASTER

These years of economic warfare had strained the Reading's shaky financial structure to the point of collapse. In the prosperous period from 1871 to 1874 Gowen had borrowed at the rate of sixteen million dollars a year in order to buy up coal lands and pay for their development. While he realized that many of these properties could not be made productive for decades, he felt that it was necessary to acquire them to protect the railroad's tonnage. Moreover, his unbounded faith in an expanding America made him confident that increased business would provide the profits to meet all interest charges.

The depression that began in 1873 had tempered his optimism sufficiently to make him promise, when he issued the first ten million of the general mortgage bonds in 1874, that he would sell no more before 1876, and then only if the company was still paying 10 per cent on its stock. Nevertheless, the losses caused by the long strike made it necessary for him to borrow five million dollars privately to meet the pressing needs of the Coal and Iron Company during 1875. At the same time he paid out the usual three and a half millions in dividends on the railroad stock, although that company had earned less than three millions, even according to his bookkeeping methods, which had by now increased the mysterious "balance of interest" income to two and one-quarter millions.

Promptly on January 1, 1876, a few days before the losses of 1875 were revealed in the annual report, he issued the second ten million of the general mortgage bonds. These were quickly taken by English capitalists at 93½ in spite of the virtual admission in the prospectus that half the money would be used to pay off floating debt. With the loan safely sold, Gowen stopped paying dividends in July, 1876.

His announcement had the usual convincing alibi. The Reading, he explained, had seldom earned its dividend in the first half of the year, since most of the profits came in the last six months. Normally, spring payments came out of the reserve fund—surplus, in twentieth century terminology—but the recent strike had nearly exhausted that reserve. The stockholders had no reason for alarm, as earnings so far in 1876 had been better than average. With airy optimism he reported:

It may also be stated that in view of the very depressed conditions of the iron and other manufacturing industries, the operations

of the Philadelphia and Reading Coal and Iron Company are entirely satisfactory. It is true that with a market which takes a coal tonnage of little more than half of the productive capacity of the collieries already opened upon the lands, it cannot be expected that a profit will be made sufficient to pay interest upon the entire investment in coal lands and collieries; yet as the principal creditor of the Coal and Iron Company is the Railroad Company, which is amply able to earn in its own business enough to pay interest and sinking funds upon all the capital it has borrowed to advance to the Coal and Iron Company, it follows that the latter is only obliged to meet the interest upon its bonds held by the public, which amounts annually to but \$1,044,194.50, a sum which can readily be met out of a mere rent of about 30 cents per ton upon the present yearly tonnage of the property, without counting upon any profit in mining; although since the resumption of mining this year the Coal and Iron Company has been earning a net profit each month of fully 70 per cent more than sufficient to pay its entire monthly interest account due to all others than the Railroad Company.¹

All this actually said was that, with luck, the company would be able to meet its fixed charges, but somehow it had a reassuring ring. To further comfort the stockholders, he estimated that the property of the Coal and Iron Company had cost only five hundred dollars an acre, including interest and improvements, while it contained coal worth five thousand an acre, figuring the rental value at twenty-five cents a ton. A careful reader might have puzzled over this calculation—it seemed odd that the coal lands should be worth ten times their original cost when price levels had been declining steadily since their purchase—but no one rose to point out the fallacy in Gowen's logic.

The close of his statement to the stockholders contained a hint that the suspension of dividends had been ordered by the McCalmonts. He said that "nine-tenths of the stockholders residing abroad . . . have telegraphed a respectful but firm protest against the declaration of dividends without an ample reserve fund accrued in cash." This was the first suggestion of any intervention by the London bankers in Gowen's management. He seemed to have charmed the canny Scotch partners in his customary way and so far had always had their wholehearted support for his program.

When the Reading's stock began to sag in July, following the passing of the dividend, the McCalmonts even listened to his argument that gamblers were trying to force it down and gave him a half million dollars to support the stock. For two months he pegged the shares at

¹ *Miners Journal*, July 1, 1876.

44, six dollars below par, buying all that was offered under that price and selling when it rose higher. One day when the speculators were caught short, he even forced the price back up to par. The downward pressure was too great, however, for such artificial measures to be long maintained. When Gowen cabled for another half million, the McCalmonts decided they had wasted enough money on the venture and refused to send more. At noon on September 27, Gowen had to stop buying, and the stock dove twelve points in two hours. Within a week it was below twenty, although it gradually climbed upwards from that level.

Bearish speculators encouraged the fall by circulating rumors that the Reading would not be able to meet its next interest payments, that company funds had been wasted in the attempt to support the stock, that Gowen would be forced out. Early in November a report that the Reading had a floating debt of three million dollars reached the ears of ex-president Smith, who had been serving on the Board of Managers since 1870. Hastening to the company offices, he demanded to know if this were true. Gowen blandly replied that the floating debt was actually seven million dollars.

Smith was startled, since he had never heard the matter mentioned at board meetings. At home he pored over the annual reports without finding a hint that the Reading had a floating debt. Returning to Gowen, he asked that a special meeting of the board be called. When the directors met, Smith demanded that a committee be appointed to investigate the books. Gowen with the strong support of Adolph Borie, once Grant's Secretary of the Navy, refused to allow the resolution to go on the minutes, but told Smith to examine the records for himself, even offering the use of his own office.

By now the ex-president was ready to suspect the worst. Going over the unpublished accounts of the Coal and Iron Company, he discovered practices which seemed to smack of dishonesty. At the end of the railroad's fiscal year, in November of 1873 and 1874, he found, the floating debt had been transferred to the books of the Coal and Iron Company, thus keeping it out of the railroad's annual reports. Then it had been shifted back to the railroad when the Coal and Iron accounts were closed for the year in December. Moreover, according to Smith's calculations, the Coal and Iron Company had lost fifteen million dollars during the preceding five years. The net earnings of the two companies therefore had been less than three million for the period instead of the eighteen million given in the annual reports.

To Gowen these matters seemed only a question of bookkeeping methods. Smith had arrived at his figures on the Coal and Iron deficit

by charging both interest and improvements as operating expenses, while Gowen felt that these were justifiable charges against capital. The transfer of the floating debt between the two companies, as he later explained, was merely a bookkeeping procedure. Notes issued by the subsidiary and indorsed by the parent company had been shifted to the Coal and Iron Company so that they would not appear on the books of both corporations. Later the railroad had taken them back in order to renew them.

When Smith presented his critical report, Gowen therefore felt it unjustified and refused to allow it to go on the minutes. Smith at once sent a copy to Robert McCalmont in London and asked him to come to investigate. Seven more letters brought no response, but at last the McCalmonts sent J. H. Gardiner to Philadelphia as their representative. Gardiner, after listening to Gowen's usual convincing demonstration of the Reading's financial stability, told Smith that he knew of his demands that Gowen be dismissed and that the company abandon the mining of coal, and that he was authorized to refuse both requests. The ex-president then resigned as manager, keeping his criticism to himself.²

Probably in part because of Smith's rebellion, Gowen submitted for 1876 the frankest annual report he had ever made; figures were even given for the Coal and Iron Company for the first time. The bald facts were alarming. The funded debt of the railroad company now totaled sixty-five million dollars, including fifty-five millions in mortgage bonds and ten millions in junior securities. Annual interest charges on these obligations were four million dollars, not to mention sinking fund requirements of half a million. Besides this there were fifteen millions in Coal and Iron bonds in the hands of the public, which required interest of a million a year.

To meet these five and a half millions in fixed charges, the railroad company had earned a little more than three millions in 1876 while the Coal and Iron Company had an operating loss of over six hundred thousand, causing a three million dollar deficit for the year. Somehow this had swallowed up the ten millions borrowed in January; Gowen had found it necessary to create a floating debt of eight millions more, thus raising the interest requirements by another half million.

In spite of the fact that the two companies had never in their entire history come close to earning enough to pay the interest on this debt, Gowen's optimistic computations still managed to produce a convincing prophecy that dividends could soon be resumed. The troubles in 1876,

² Smith's statement in *Philadelphia Times*, Dec. 11, 1877.

he explained, had all been due to the coal combination. The restrictions imposed by the association had seriously impaired the railroad's revenues during the summer; the price decline following its dissolution had caused a million dollar inventory loss for the Coal and Iron Company.

On the basis of results for the last quarter of 1876, the railroad should always be able to earn enough for its fixed charges of five million a year. Improvements on the Coal and Iron property had reduced production costs so much—from \$2.51 a ton in 1873 to \$1.35 a ton in 1876—that the small proportion of the land which was being mined would produce enough to pay the interest on the entire investment whenever prices were high enough to earn a profit at the average individually-owned colliery. Such payments would be the equivalent of a dividend of 8 per cent on the railroad stock.

The chief problem to be solved was the floating debt, Gowen said. Money had been borrowed on the security of the five millions of general mortgage bonds still unissued, posted as collateral at 90 per cent of their value. There had been no intention of increasing the floating debt beyond that amount, but the clearly unforeseeable developments of 1876 had required the borrowing of almost four million more. This was protected by iron inventories and securities which could be sold at almost any time for enough to pay the debt.

Since it seemed unwise to sell the general mortgage bonds so much below par, the Board of Managers had authorized the issuing of ten million dollars in income mortgage bonds, to be secured by property not covered by the general mortgage. They were to be sold only to pay the floating debt, and no dividends were to be paid as long as any of them remained outstanding.

Lest the stockholders be troubled by the market-price of their shares, he informed them that the railroad alone was worth seventeen millions more than its book value, which would have meant that each share represented property valued at \$75. As for the coal lands, it was impossible to overestimate their intrinsic worth. He added:

With estates of such magnitude and value, it will require but the first dawn of returning prosperity to extricate the Company from its embarrassments; and with a revival of manufacturing industry and a recovery of the general business of the country from the prostration which succeeded the panic of 1873, the stockholders will be repaid by future revenue for any present interruption of dividends.*

* Annual report for 1876, p. 36.

To meet the present emergency Gowen promised the strictest economy. No further expenditures for improvements or equipment would be made which could not be provided out of the renewal fund, which was a charge for depreciation. A reorganization abolished several of the higher-paid positions in the company, including incidentally that held by J. W. Jones, who had been a close associate of ex-president Smith. The railroad even stopped wiping the dirt off its engines.

By dint of this penny-pinching, Gowen managed to scrape together six hundred thousand to apply to the floating debt by May 1, 1877. Since progress was still too slow, however, he evolved a new scheme to lower the floating debt, which he announced on May 3. The stockholders, he said, would normally be expected to provide the needed funds, and an assessment of only ten dollars a share—this was almost equal to the current market value of the stock—would furnish all the money needed. Since most of the stockholders were suffering from the depression, however, the owners of the general mortgage bonds of 1874 and 1876 and junior obligations would be asked to come to the relief of the company. The holders of debenture bonds and the stocks and bonds of the two canal companies would be given scrip in lieu of their interest for the next five years. The scrip would be issued July 1 for the full amount and would bear interest from that date. The general mortgage bondholders would similarly receive scrip for half of their interest for the next three years, while the other half would be paid in cash. Payments to the sinking fund were also to be suspended until the floating debt was paid.

Attracted by the prospect of receiving interest on their interest, the American security owners readily agreed to the plan. With that settled, Gowen hurried off to England. The engineers' strike that spring had delayed his departure, and he had scarcely a month to complete arrangements there. On June 6, 1877, he appeared before a meeting of the English security holders at the City Terminus Hotel on Cannon Street, London. The meeting was well organized, with a friendly presiding officer, Thomas Wilde Powell, of the London Stock Exchange firm of Hesselstine and Powell, and a set of resolutions indorsing Gowen's proposal all ready for adoption.

Amidst cries of "hear, hear," the Reading president was introduced as the man who had broken up the Molly Maguires. Like a good teacher, he produced a series of maps and charts, and instructed his audience on the background of his policy. He told the story of his acquisition of the coal lands, as he had many times before. Pointing to his map, he showed how the business of the railroad had been threatened by invasion in

1871 and declared that the coal lands had been purchased to keep his rivals from getting them. Conceding that the company had to pay over three million dollars in interest annually on this investment, he went on:

But I firmly believe that if we had not acted as we did the Company long ago would have been in a worse position than it now is, financially, resulting from the absolute loss of its business, and in addition to that it would not have had, as it now has, the ownership of the large tracts of coal land which will eventually enable it to regain a good financial position; to pay every creditor in full, and to secure fair dividends to its ordinary shareholders; and I repeat once more that if I had again to undergo the experience of the last few years, and of the recent financial panic with a full foreknowledge of the facts, and of the humiliation of being obliged to face you upon such an occasion as this, and to say that we are not able to pay you as we promised; I would have done exactly as we did do, and I would have been much more ashamed and humiliated if I had been forced to come before you and to say that during the period I was your president and entrusted by you with the management of your line I had permitted these rival companies to sap the very foundation of your property, and to carry away all the tonnage that gave it value. (Hear, hear, and cheers.)⁴

The company's difficulties, however, were due only to the unusual condition of business, he explained. If the railroad could increase its revenues by half a cent a ton-mile and the price of coal would rise by fifty cents, both figures representing only the average levels of the past thirty or forty years, the company would be able to pay not only its fixed charges but a 14 per cent dividend to its stockholders. As for criticism of the prospectus of the loan of January, 1876, that had been justified because, at the time it was prepared, there had been no indication that the anthracite combination would break up and send prices crashing.

Even Gowen's eloquence could not silence all the criticism which the English security owners had stored up for him. Hecklers rose to question his figures. One wanted to know why the existence of the floating debt had not been stated in the prospectus of January, 1876. Another asked how the company could own property which was not covered by the general mortgage. A third demanded English representation on the Board of Managers. Still another protested against paying the floating debt at the expense of the bondholders.

⁴*Verbatim Report of the General Meeting of the Share and Bondholders of the Philadelphia and Reading Railroad Company . . . June 6, 1877* (London, 1877), pp. 14-15.

To every query Gowen managed a deft reply. The floating debt had at least been hinted at in the 1875 prospectus. The property not covered by the mortgage was securities of other companies, which were not subject to mortgage. An English director was not permissible under the charter, but he would be glad to let any one examine the company's records if he could come to America. The bondholders certainly had senior security to the floating debt, but it was more expedient to pay that off first.

With all the complaints satisfactorily answered, the meeting was ready to vote its approval of Gowen's plan. A chorus of noes greeted a suggestion that the bondholders should investigate the company. One man who had attempted to amend the resolutions offered withdrew his amendment, telling Gowen: "I am bound to say, Sir, that your frankness is quite equal to your courtesy and courage, and I congratulate you and my fellow bondholders on the lucid statement you have made us this day." The resolutions were adopted with cheers, and friendly trustees appointed to carry out the plan.

Although the chief effect of Gowen's scheme was to lower interest payments temporarily and to make them higher after five years, he felt that by then the return of prosperity would make the increased interest a trifling matter. There were no signs that depression was ending in 1877, however. Instead of the rise in freight rates and coal prices, of which he had held out hope to the English bondholders, both declined. Fortunately the increased business of the year helped to make up for the loss, and Gowen was able to produce a report which sounded encouraging.

Net operating income for the railroad in 1877 was up nearly seven hundred thousand dollars, although about half that increase came from a new system of charging for depreciation, justified on the ground that falling prices made the old method out of date. While the railroad still failed to meet its normal fixed charges by about \$660,000, the operation of the plan adopted during the summer produced a cash return of seven hundred thousand. The floating debt had been reduced by one and a half million and should be pared down at the rate of two million a year from the savings effected by not paying interest. The coal company had lost three-quarters of a million, but if coal had been only as high as in the worst previous year, the company would have earned an 8 per cent dividend. For 1878 the revival of the coal combination held out the prospect of higher prices, which should enable the company to pay off the floating debt in two years.

The reading of the report at the annual meeting was attended with an unwonted bit of excitement. In December, 1877, ex-president Smith

had broken his year of silence by releasing his suppressed report to the newspapers. In reply Gowen concluded his statement to the stockholders with a categorical denial of each one of Smith's charges, declaring that the ex-president had known of the existence of the floating debt long before November, 1876. Winding up with a fine bit of excoriation for the man who had made him head of the Reading, he asserted:

. . . though it is not intended to make the annual meeting of shareholders the arena for any personal disputes or discussions, the managers cannot but give utterance to the conviction that forces itself upon them, that if Mr. Charles E. Smith, for eight years a president and for six years a manager, and during the entire latter period in close personal relations with that particular officer who had charge of the accounting department, and who had been his own confidential clerk, knew nothing of the financial condition of the Company, he has been guilty of such shameful imbecility or incapacity that the stockholders are to be congratulated upon the fact that his place in the Board has been filled by one who is not likely ever to put in a plea of ignorance in order to shield himself from responsibility; but if, on the other hand, Mr. Smith, knowing full well the condition of the Company, and having taken advantage of his early knowledge of its affairs to sell the majority of his own stock at high prices, and being grievously disappointed in an attempt made by him to change the management at the last election, has either out of personal revenge or for any motive joined the enemies of the Company with a view to injure its credit, then, in the opinion of all honest men, he must be classed amongst those who are not permitted to take refuge in the sanctuary of folly to escape the stigma of their proper designation.⁵

In reply to Gowen's recitative, "It is not true that . . .," Smith took the floor to say, "The question between the president of the Reading Railroad Company and myself is simply one of veracity," and offered a resolution calling for an investigation. Gowen with a bland smile promptly seconded the motion, declaring, "I hope it will be adopted unanimously, as we have nothing, and nobody in connection with the management has anything, to be ashamed of, except Mr. Smith."

When the nomination of Adolph Borie to the investigating committee made the examination seem farcical, the ex-president protested that he was one of the directors. Borie laughingly said, "Yes, I am one of the criminals." "Yes, you are one of the criminals," Smith retorted, shaking his finger, whereupon Borie shook his umbrella at Smith and charged him with being the only criminal present.

⁵ Annual Report for 1877, p. 34.

Borie did not serve on the committee, however. Instead, an entirely independent group was chosen—too independent, as it turned out, since two of the members declined to act on the grounds that they were not stockholders. The third regarded the committee as thus dissolved and wrote to Gowen:

I never supposed that more was expected than our decision as umpires in this particular matter, nor do I suppose that a decision is important to any one except to Mr. Smith, as nearly all with whom I have conversed seem to understand the matter as stated in the reports for 1876 and 1877.⁶

When Smith renewed his attack prior to the next annual meeting in January, 1879, Gowen took the occasion to answer three more charges. It had been entirely proper, he asserted, to compound the interest on the Coal and Iron debt into capital during the development period. This amount, he now revealed for the first time, had totaled seven million dollars from 1871 to 1875.

Two other bits of bookkeeping in 1875, which Smith had criticized, he said were equally justifiable. The \$130,000 expended to rebuild the dam across the Susquehanna at Columbia, which had been destroyed by a flood, had been distributed over four years because it was too large a sum to be charged against the earnings of any one year. There was likewise justification for including in the 1875 profits nearly four hundred thousand dollars realized by transferring to the Coal and Iron Company at a valuation of five hundred thousand dollars coal lands which had been acquired by the railroad at one hundred thousand.

In some circumstances there might possibly have been reason for criticizing this transaction, Gowen conceded, but Mr. Smith had been present at the meeting of the Board of Managers which approved it. Moreover, the company had charged against earnings during the present administration a million dollars over and above this amount, which might properly have been regarded as a capital expense. These figures, he said, "will furnish Mr. Smith with ample justification for his action as a Director should any one other than himself undertake to question its propriety."⁷

A few verbal fireworks were helpful in distracting the attention of the stockholders from the details of the annual report, which once again presented a disappointing story. The railroad had failed to earn its own fixed charges by more than eight hundred thousand dollars in

⁶ Annual Report for 1878, p. 32.

⁷ Annual report for 1878, p. 35.

1878, although the partial suspension of interest had given it a cash return of nine hundred thousand. The three-quarter million operating loss of the Coal and Iron Company had swallowed up most of this, and the million dollar interest on its debt had taken the rest, leaving a net cash deficit of over eight hundred thousand.

Gowen had thus not been able to keep his promise to reduce the floating debt each year by the amount of interest not paid, or one and three-quarter million dollars. By the end of 1878, in fact, it was slightly higher than it had been at the beginning. It had been held down only by stopping all wage and salary payments for the last three months of the year. The company had since come to the relief of its employees by issuing them wage certificates for their back pay, bearing interest and redeemable in four or five months, when it was hoped the company would have sufficient funds. Gowen said reassuringly:

These certificates have been very favorably received by the employees and the public, they are generally taken in business transactions at par, and are readily sold for cash at but a trifling discount; and when a few weeks' interest upon them has accrued, it is not doubted that they will command a premium.⁸

The trouble in 1878, he explained, had been the coal combination, which had restricted tonnage. Notwithstanding his experience in 1877, he had no fear that the company could not earn its fixed charges in the free competition expected in 1879. Three years of ordinary earnings would permit the resumption of dividends. Moreover, the company owned five millions in securities, which could be sold at any time to virtually retire the floating debt; he did not add that they were stocks and bonds on which the Reading was guaranteeing payments, and that their sale would thus actually increase the company's fixed charges.

Improving business conditions in the spring of 1879 seemed to justify Gowen's optimism. The speculators took an interest in the Reading, and a flurry of gambling carried the stock up from twelve to twenty-two. A trip to Europe during the summer started rumors that the Reading president was planning to arrange a new loan. Anxious to find out the news, reporters were waiting when his ship docked in Jersey City at dawn on August 18. Gowen, however, stepped quickly across the wharf into his waiting private car, the *Ariel*, without a word. Recognizing an approaching newspaperman, he held up his hand and turned his head away to indicate that he had nothing to say. Other reporters, calling at his Philadelphia office, were disappointed when he

⁸ Annual report for 1878, pp. 19-20.

went directly to his Mount Airy home. Two brash young newsmen then tried to speak to him at home, sending in their cards by a servant. Gowen himself came to the door, his face livid with rage, and blurted out, "Such impertinence on the part of newspapers would not be tolerated in any other country on the face of the globe but this." The two reporters made a hasty retreat.⁹

Reading stock sagged once more, and the threat of war from the Scranton companies sent it down farther. When the attempt to form a new coal combination caused the stock to rise again, some suspected that Gowen's letters to Judge Lathrop had been published to support the shares. "A very prominent broker" in Philadelphia was quoted to that effect, but he added:

Mind you, I do not intend to imply that Gowen is the man who does this or would do it. He is square and fair. He is a bold man, ain't afraid of anything, stubborn as a mule, but he is a good, square man.¹⁰

In spite of improved business, however, the results of the year showed no improvement. The railroad company, in fact, lost two hundred thousand dollars more than in 1878, while the coal and iron subsidiary fared about the same as in the previous year. The two companies had thus failed to meet their fixed charges by two and three-quarter millions, although payment of part of the interest in scrip reduced the net cash deficit to a million. Wages had been paid in scrip throughout the year, but more than half the outstanding certificates had been redeemed.

Gowen's promise to reduce the floating debt by one and three-quarter millions each year had now been entirely forgotten. He no longer preserved the fiction of separating the wage certificates from the floating debt in order to keep the latter figure down. Instead he unabashedly conceded that the floating debt had soared two and a half million in 1879, passing the nine million mark. Part of this increase had been due to building the necessary connections to make the North Penn lease satisfactory. As he explained, business was greatly improved, and the company had to expand its facilities in order to take care of it.

To account for the financial difficulties of 1879, Gowen showed originality in inventing a new reason. The trouble in 1876 had been the combination, which restricted production; in 1877, free competition, which caused low prices; in 1878, again the coal combination had restricted production. Now that free competition had failed once more,

⁹ *Miners Journal*, Aug. 20, 1879.

¹⁰ *Philadelphia Times*, Sept. 3, 1879.

he said that prices had been kept low only because several companies had deliberately undersold the Reading. There was "overwhelming" evidence that this had been done to drive down the market value of the stock.

In 1880, however, the demand would be so great that the Reading could sell at its own prices, no matter what the other companies might do. Freight rates should be fifty cents a ton and coal \$1.50 a ton higher. This would give the two companies net earnings of eleven million dollars, more than four million dollars above all fixed charges. The demonstration of this earning power would permit the company to borrow money on reasonable terms and thus promptly pay off the floating debt.

Undaunted by the increase in his bank loans and by the prospective end of the three-year moratorium on half the general mortgage interest, Gowen looked to 1880 with confidence. On the last day of 1879 he surprised his employees by paying them in cash, the first time in sixteen months. The railroad workers, now also under the sliding scale, received an increase of 10 per cent over October. The miners in January were given wages only 4 per cent below the basis, although the three-day week they were working made their actual pay less than it had been when they were receiving 30 per cent below the basis. He told his employees:

While congratulating you upon the advent of a year which is undoubtedly to be one of great prosperity, the managers desire to thank you all most sincerely for the fidelity you have shown to the interests of the company during the long period of depression through which it has safely passed.¹¹

The informal agreements among the anthracite companies to limit production by restricting the number of days worked was keeping prices at satisfactory levels, and the miners were paid on the basis in April, the first time in five years. The increased demand permitted a fairly high production, although a slackening off of the iron trade in the spring kept production from rising as much as expected. The stock closed at thirty-five on April 1, the highest level since 1876. All the company had to do was to get by the first lean months of the year, and profits would start paying off all the debts. Gowen kept his funds on a hand-to-mouth basis, paying his bills with checks which were made good by later deposits. The New York correspondent of the *Philadelphia Press*

¹¹ *Railway World*, 6:36 (Jan. 10, 1880).

was startled when a railroad president showed him in confidence a note: "Will you kindly hold over the check which I gave you for \$25,000 until Monday and oblige. Yours very truly, Franklin B. Gowen."¹²

On Wednesday and Thursday, May 20 and 21, Gowen drew checks on the Coal and Iron Company for three hundred thousand dollars and deposited them to the credit of the railroad company. This time, unfortunately, the checks came back on Friday, marked "Not Sufficient Funds." Gowen promptly offered the railroad's notes to make them good, but the bank refused to accept them. A plea by cable to the McCalmonts for the loan of another half million was rejected, and only one course was left open. The formal announcement was issued:

The Philadelphia and Reading Company and the Philadelphia and Reading Coal and Iron Company have been compelled to suspend payment. The managers will take immediate measures to protect intact the property of both companies and continue their business.¹³

There had been no such excitement in Philadelphia since the memorable day in September, 1873, when Jay Cooke and Company had closed its doors and carried the nation down into six years of depression. That day, in fact, had been a mild one, according to at least one observer, compared to Gowen's "Black Friday." Philadelphians were stunned by the news; in Pottsville an incredulous crowd stared at the quickly-posted bulletin.

Excited investors dumped their holdings in a wild flurry of selling, which sent the stock down from twenty-three to twelve and a half in an hour. The hastily assembled Board of Managers gathered in Gowen's office to decide what to do. Clerks ran back and forth with huge ledgers under their arms, while superintendents holding long statements in their hands hurried in to see Gowen. Reporters tried to interview the scurrying officials, but none of them would talk. One journalist attempted to trap the president as he was leaving. "Young man, I am not to be caught this way," answered Gowen, clapping on his hat with a hearty laugh. The most correspondents could get was an anonymous statement that the company would resume payments in thirty days without going through bankruptcy.

Outsiders were more willing to comment. Ex-president Smith was triumphant at the fulfillment of his gloomy predictions. For two years, he declared, he had been sure the Reading would crash. "This company,"

¹² *Philadelphia Press*, Dec. 16, 1889.

¹³ *Philadelphia Times*, May 22, 1880.

he said, "has no future but bankruptcy, and it must get rid of Mr. Gowen or bankruptcy won't help it. Should he be made receiver, it will be the same old story."¹⁴

A more friendly opinion was offered by Edwin M. Lewis, president of the Farmers and Mechanics Bank in Philadelphia, who said the Reading's difficulties were caused not by poor management but by the times. He indicated his implicit confidence in Gowen's judgment by asserting that the Coal and Iron Company had been beneficial to the Reading and that the purchase of the coal lands had been necessary.

By Saturday Gowen was ready with an encouraging statement:

Our stoppage relieves us of the strain of carrying an increase in floating debt. We owe nothing for wages and can keep the company moving easily. We intend to cooperate with the other companies in maintaining prices of coal, and the property of the company is really in better condition when subjected to no payments beyond the earnings than it was when we were increasing the floating debt in the struggle to maintain credit. All of our floating debt is secured by good collaterals and we apprehend no trouble from creditors.¹⁵

On Monday the company was declared bankrupt. The petition for the appointment of receivers, filed in the United States Circuit Court at Pittsburgh by attorneys for Moses Taylor, head of the City Bank of New York, was in reality a friendly move to forestall action by hostile creditors. The court appointed Gowen one of the receivers, along with Edwin Lewis and another Philadelphia banker, Stephen A. Caldwell, president of the Fidelity Trust Company. A month later, when the Reading defaulted on the July 1 interest on the general mortgage bonds, Gowen promptly arranged for a continuation of the same receivership.

¹⁴ *Ibid.*

¹⁵ *Philadelphia Times*, May 24, 1880.

CHAPTER XV

DEFERRED INCOME

Except in quarters sympathetic with the ousted Smith-Jones faction, the appointment of Gowen as one of the receivers was generally received with approbation in America. Despite the fact that he had managed the company into bankruptcy, the spell of his words still numbed the mathematical faculties of his listeners. The *Philadelphia Times* commented:

If Mr. Gowen merited the trust that has so long been reposed in him by his directors and shareholders, he is the best man to meet the present emergency; and, if he is to be the real actor, he should be the responsible officer as well.¹

On the other side of the Atlantic the McCalmonts were beginning to lose confidence in the president they had supported for eleven years, but they hoped that disaster would be a check on his enthusiasm. To protect the interests of the creditors, they formed a committee to represent the general mortgage bondholders, with Earl Cairns, a former Lord Chancellor, as chairman. In its first report on June 18, 1880, the committee approved Gowen's appointment as receiver with reservations, saying they

have reason to believe that Mr. Lewis and Mr. Caldwell, gentlemen holding no office in the company, are men of very high commercial character and financial experience in Philadelphia. The committee are aware that a strong feeling exists in this country adverse to the policy which Mr. Gowen has hitherto pursued in his management of the company. His action, however, as receiver will be controlled by his colleagues and by the court, while, on the other hand, they will have the advantage of his great experience and knowledge of the system which has been so long under his management. The proprietors of the bonds and stocks of the company in America have evinced their satisfaction with the choice of receivers which has been made, and, under all the circumstances of the case, the committee could not at present recommend that any step should be taken to procure a change in the receivership.²

¹ May 24, 1880.

² Quoted in *Railway World*, 6:651 (July 10, 1880).

At the moment there seemed some possibility that Gowen might be held in conservative paths by his fellow-receivers. On July 2 he wrote to the McCalmonts in a rare moment of humility:

Now that disaster has come, I can see how in this as in other matters I have been blind, but I never looked at any side but success, and I deceived myself more than any one else. I have only corresponded by telegraph with you, and now that I am writing, I cannot but say that I feel for your losses much more than for my own, and I am now and always ready to withdraw from the receivership in favor of any one who will give greater confidence to the owners. Above all, however, I should like at all times to do or say anything that may be necessary to relieve you from the unjust accusation of being in any manner responsible for any of the calamity which has overtaken the company.⁸

Two weeks later he wrote to the English committee, who were debating whether to exercise their right of foreclosure, proposing a reorganization plan to save the stockholders. The receivership, he suggested, should be continued for five years, by which time permanent prosperity would certainly be restored. Fixed charges would be reduced by lowering the interest rates on some of the obligations; the general mortgage holders were to be cut from 6 to 4 per cent. Interest on the floating debt, on the other hand, was to be paid in full, since Gowen felt a personal responsibility to the individuals he had talked into putting up the money. A million and a quarter of it had come from the McCalmonts, and three of the Reading directors had furnished seven and a half millions more. Moreover, vital securities, on which the dividends were guaranteed by the Reading, had been pledged as collateral for this debt, and they might be sold at any time if interest was not paid promptly.

At the end of the five-year period fixed charges would be reduced to \$4,600,000, most of the floating debt would be paid off by the sale of property, and the rest would be funded into preferred stock. Once more Gowen affirmed his willingness to resign:

If the above plan is adopted, I have no desire to remain as receiver, unless the great majority of those interested in the company desire me to remain. I am willing to devote five years to it if those who own the company desire me to do so, but beyond the feeling that my duties to the company require me to offer my services, I have no desire whatever to stay. . . . I must not be put into the position of forcing myself into the receivership against the wishes

⁸ Thomas Wilde Powell, *To All Persons Interested in the Philadelphia and Reading Railroad Company* (Philadelphia, Nov., 1880), pp. 7-8.

of those who are entitled to have a voice in the approval or selection of the receivers.⁴

The English committee at first seemed satisfied with Gowen's proposal. They resolved to accept its general principles and asked that a Philadelphia committee be appointed, representing the various interests there, to cooperate with the receivers. The secretary of the London group wrote to Gowen on August 7, informing him of the decision and stating that the committee wished to postpone their decision as to whether he should remain as a receiver until after they had sent a representative to America to investigate.

Recovering from his temporary fit of modesty, however, Gowen resumed his autocratic ways. He proposed a Philadelphia committee, dominated by his own directors, and failed to keep the Cairns group informed. His solicitude for the holders of the floating debt was an additional irritation for some of the English owners of the general mortgage, which was a senior security. When Thomas Wilde Powell, selected to represent the London group in Philadelphia, refused to accept the responsibility of deciding on Gowen's resignation, the committee therefore made the decision. Writing on August 26, they stated that they were about to issue their second report, recommending reorganization without foreclosure, and that they could not feel justified in doing so without promising that the receivership would be "in hands entirely unconnected with the management and policy of the company before its failure." For this reason they asked Gowen's permission to state that he would resign as soon as a successor could be appointed.

A hint in the letter that the general mortgage holders intended to press their claim for priority over the floating debt alarmed the Reading president. He promptly cabled the committee, telling them to hold off action until they received a letter he proposed to write. While the English bondholders promised to wait, they wired him that they considered his offer to withdraw had been made without conditions. In his letter, written on September 10, he explained:

. . . I did not intend to resign unless the plan or some other equally good one was adopted. If my resignation as a receiver will in any manner secure the creditors and the shareholders of the company, I will instantly resign the moment they are so secured. In other words, while I have no desire to remain even temporarily, and no intention of remaining after the proper reorganization takes place, I will not surrender my post in the present disturbed condition of affairs, and let it be said that I got the company into trouble, and

⁴ *Ibid.*, p. 5.

had not courage enough to remain and help it out. There are doubtless members of the committee who know me well enough to know that I would never be an applicant for position, and there must be some who know at what great sacrifices to myself I have continued to occupy the position of president of the company, and that any prospect of being able to relinquish the office will be looked upon by me as a happy release from care and anxiety. But in such a matter I can not merely think of my own comfort and convenience. . . . If the general mortgage creditors were the only ones to be consulted, I should undoubtedly feel like respecting the slightest wish of the committee representing them; but the general mortgage holders are not in any great danger. . . . Those who are really in danger are the creditors who come later than the general mortgage and the shareholders, the greater portion of whom are in this country; and I know that a very large body of them would be greatly shocked if I abandoned my post before they were entirely protected.⁵

The Cairns group failed to meet the issue squarely by insisting on his resignation. Instead, their reply of September 30 merely protested:

They regret the conclusion at which you have arrived, contrary, as they think, to the general tenor of your previous communications. They have, however, given their best attention to the arguments by which you support your determination, and by which you appear (under the name of insisting that it is your duty to protect all interests) even to claim the right to dictate a policy for terms of arrangement amongst the various interests concerned in the present embarrassments. For such a position they still consider your personal relations and moral responsibilities to the holders of junior debts are not the qualification you assume them to be, but the reverse.⁶

The same day the London committee issued its delayed second report. Pointing out that the fixed charges of the Reading companies had grown to seven millions annually, while the average revenue was less than four millions a year, they declared that any reorganization plan would have to reduce fixed charges by three millions. There were two possibilities, they said: foreclosure, which would pay off the general mortgage and senior obligations, but might jeopardize the Coal and Iron charter; or "mutual and equitable concessions on the part of creditors whose interests are in danger"—that is, the holders of the floating debt and other claims below the mortgage—and an assessment on the stock. The committee indicated that the owners of the mortgage bonds had made an adequate concession by promising not to foreclose.

⁵ *Ibid.*, pp. 17-18.

⁶ *Ibid.*, p. 20.

To get the Cairns group out of its dangerous frame of mind, Gowen promptly scraped together enough money to pay the interest on the general mortgage and end the need for the committee's existence. Meanwhile its representative arrived in Philadelphia in the middle of October. Powell called on Lewis and Caldwell, the other two receivers, but found Gowen ill at home the first two days and then in New York. On the fourth day he finally saw Gowen and got his promise to call a board meeting October 20.

Before the directors the Englishman argued for appointment of a committee to represent the various creditors, which would be independent of the management. Gowen held to his idea that the committee should be composed of the directors and several others. After Powell had argued for three hours, he left, and the board selected the committee Gowen had advocated.

When Powell wrote in protest, he received in reply a conciliatory letter from J. B. White, the company secretary. A new committee was chosen, including only half the Board of Managers. Still not satisfied, the Englishman agreed to meet with this group, but found they had adjourned because Gowen had a new reorganization scheme under consideration and they did not want to interfere. In disgust Powell went back to his hotel and wrote Gowen a letter, unburdening his mind of a story he had picked up since his arrival in Philadelphia.

Before the London meeting in 1877 he had asked Gowen about rumors that several of the Reading directors had unloaded unprofitable coal tracts on the Coal and Iron Company at a profit. Gowen had replied that there had been one case in which a director had been interested in a property, but that had been a very profitable purchase. On the strength of that Powell had assured the meeting of the integrity of the company's officials.

Now Powell had been told that two directors had been members of a syndicate, which had purchased two coal tracts for about \$850,000 and after operating them for several years at a loss had sold them to the Reading for \$2,250,000. The appraiser hired by the receivers had estimated these lands as worth a million less than their cost. Was this story true? the English representative asked. And, if it was true, had Gowen known about it in 1877?

Powell could scarcely have chosen a better way to arouse Gowen's wrath. One of the directors involved was the late Adolph Borie, his loyal supporter, and the other was Borie's brother-in-law, H. Pratt McKean. Moreover, any imputation of dishonesty was for Gowen the highest degree of slander. In cold fury he wrote an explanation of the

transaction. McKean and Borie had owned only a one-sixth interest in the property and had taken no part in selling it to the company. The land had been bought to keep it out of the hands of a rival company. The price paid had been less than half that paid for an adjoining tract by another corporation. Even the appraiser's low valuation reported that it contained coal worth twice the purchase price, and his estimate of its value had been reached by the "novel theory" of charging the land with compound interest until it was brought into production. The company, if it had wished, could have made this particular tract profitable by spending money on it instead of on others.

With this explanation concluded, Gowen let himself go :

Thus far, I have restrained myself sufficiently, to answer as much of your letter pertaining to the business of the Company, as it is at all necessary to reply to, and now I have to say to you :

First. That from past experience and knowledge, you are entirely incompetent to form any correct judgment upon such a question as the value of coal lands.

Second. That your real position as a confidential agent of the Pennsylvania Railroad Company makes it highly indelicate and improper for you to attempt to inject yourself into the affairs of the Philadelphia and Reading Railroad Company.

Third. That your statement that you have but lately learned about the transactions connected with the purchase of the Tamaqua lands, or that I, at any time or in any place, by thought, word, or deed, ever conveyed or attempted to convey to you or to anybody any impression concerning the same that was not strictly true, is infamously false.

Fourth. That Mr. Henry Pratt McKean is still living and thoroughly able to defend his own character, as a gentleman and a man of integrity, from any possible assault which you can make upon it. My poor friend, Mr. Adolph E. Borie, is indeed dead, but I can assure you that any effort to tarnish his character will but recoil upon you, if you dare to make the attempt, as all his friends in America can look back upon his life in the most perfect confidence that his reputation as a man of honor is absolutely safe from the mendacity and malignity of any such person as yourself.

Fifth. Any other communication received by me from you will be returned unopened.

Respectfully yours,
FRANKLIN B. GOWEN.⁷

The Englishman poured out his injured feelings in a long circular, which he addressed to all interested in the Reading's affairs, but ap-

⁷Franklin B. Gowen, *Statement of the Present Condition of the Philadelphia & Reading Railroad Co.* . . . (Philadelphia, 1880), pp. 80-81.

parently decided not to issue it after he had seen a proof copy. Gowen published his correspondence with Powell in a statement issued a few weeks later, firing another shot by saying:

There can be no doubt whatever that although Mr. Powell was a representative of creditors of the Company, most of whom it is believed desired nothing so much as to obtain their money, he was more intent upon making a change of the management of the Company, than of collecting the money due to his constituents, and it is certain that, when in this country, he did all in his power, directly and indirectly, to prevent the Receivers from paying his principals. . . .⁸

The dramatic clash of personalities somewhat beclouded the fundamental difference between Gowen and the Cairns committee. The hard-headed English bankers wished to reduce fixed charges to practical levels at the expense of the floating debt. The Reading president, anxious to save from loss the men who had loaned him money, had found a painless scheme which appeared workable, and he was determined to put it into effect in spite of all opposition.

Ideas for reorganizing the Reading were not hard to come by. Every broker on Philadelphia's Third Street seemed to have a plan. All these suggestions, however, embodied such ideas as assessing the shareholders or reducing the floating debt to preferred stock, both equally distasteful to Gowen. What he wanted was a scheme which would bring new capital into the company voluntarily without increasing fixed charges. To a person of less sanguine temperament this would have appeared impossible, but Gowen's sublime confidence made him certain that he could raise the money.

The proposal which he now revealed called for the issue of deferred income bonds in the amount of \$34,200,000, one fifty-dollar bond for each share of common stock. They would bear interest only after a 6 per cent dividend had been paid on the stock, but to make them an attractive investment they were to be offered at a 70 per cent discount and were to receive 6 per cent on their face value. In other words, whenever the company earned the equivalent of 12 per cent on its stock, the shareholders would be paid 6 per cent and deferred bondholders 20 per cent on their actual investment. All earnings above that amount were to be divided equally between the stock and the deferred bonds.

Gowen had hinted at this idea as early as January in his annual report, but he had had to hold off action until he could find a financier to

⁸ *Ibid.*, p. 47.

back him. At this juncture an Englishman named James McEwen, whom Gowen had met a year earlier, turned up with an offer to furnish a syndicate to float the new loan and deposit a two million dollar guarantee of its success in return for a 5 per cent commission on the entire loan, or about \$500,000. Gowen promptly talked his Board of Managers and his creditors' committee into accepting this support. The McCalmonts, however, informed by cablegram, replied that they did not believe there was sufficient justification for issuing the public statements which would be necessary to insure the success of the loan. They also said they had no confidence in McEwen, whose dubious reputation as a promoter they knew better than Gowen did.

Relying on his customary ability to talk the English bankers around when he saw them, Gowen paid slight attention to these objections. He secured another English banking firm to act as trustee for McEwen's syndicate. When this firm withdrew from the scheme after growing tired of waiting for the guarantee, Gowen told reporters that their resignation was immaterial, since they had simply been acting as the Reading's agent. Taking his scheme to the Federal court, Gowen obtained the judge's approval when no opposition was voiced.

Although McEwen still did not appear with his two million dollars, Gowen decided that he could float the deferred bonds without a guarantee, despite the fact that the deposit was included in the plan as approved by the court. He issued an encouraging "Statement of the Present Condition" of the Reading companies, which was so brimful of optimism that even today it makes the deferred bonds sound like an attractive investment. Submitting a balance sheet which showed a surplus of sixteen million dollars, he declared that the assets "are from careful appraisements by others, except the two items of coal lands and leased lines, which are my own estimates, but really far below actual values."⁹ The leases of the North Penn and Bound Brook alone had recently been earning more than the interest on seven and a half millions, which he had given as the value of all the leases. As for the coal lands, Joseph S. Harris, a mining engineer formerly employed by the Coal and Iron Company, had been hired to appraise them, but his estimates had been hopelessly inaccurate.

Harris had figured the average profit on coal in the ground at thirty cents a ton. This was what the Pennsylvania Railroad had received on its coal under favorable circumstances, and the Reading would have to obtain seventy-five cents a ton more than it had been getting to net this much. Then, estimating the time when the various properties would

⁹ *Ibid.*, p. 4.

come into production, he had charged the land with 8 per cent compound interest for taxes, improvements, and interest, and arrived at a net value of thirty million, about half of what the Reading had invested in the property.

Gowen fair-mindedly included the entire Harris report in his statement and added that he agreed with everything he had said as a mining engineer—that there was an enormous quantity of coal in the lands, which would last more than a century, that Schuylkill production would soon be tripled, at the expense of the other regions. Then Gowen went on:

When Mr. Harris steps beyond the bounds of his professional employment, and . . . proceeds to criticize the policy of his former superior officers—the Managers and President of the Company—in purchasing so large an amount of coal lands, and to recommend the disintegration of the estate by the sale of a number of tracts; it is but necessary to say that he was not requested to express an opinion on such a subject. Those whose actions and policy he criticizes were wiser in their generation than himself, and much more competent than he supposes to form a correct judgment upon such a question.¹⁰

Selling the unproductive lands would actually injure the company, Gowen declared, since mining them would increase the supply and force the Reading to shut down more of its own collieries. That was irrelevant, however; the gravest mistake had been made in estimating the value of the property. Harris had based his appraisal on a number of premises, every one of which was wrong, Gowen said. The engineer had figured that 27 per cent of the coal in the ground could be mined. That had been true in the past, but with sale developing for smaller sizes, 40 to 50 per cent would be a more accurate figure. The lower figure alone would raise the Harris valuation to forty-five million.

A second point on which Harris had gone astray, as Gowen saw it, was in limiting the expected profit to thirty cents a ton. With increasing demand anthracite in ten years should bring a dollar a ton above cost. Even at only fifty cents this would raise the value of the coal lands to seventy-five millions, the figure at which they had been placed on the balance sheet. Moreover, Harris had charged the property with interest compounded at 8 per cent and allowed only 4 per cent on the sinking fund to redeem the investment. If it were conceivable that the Reading would ever have to borrow at 8 per cent and invest at 4, it could at least use the sinking fund to pay off its own debt. In any case, the

¹⁰ *Ibid.*, p. 26.

market value of the property could be readily estimated. Since it was doubtful whether any of the other companies would be ready to sell their coal lands for less than \$1,500 an acre, it was certainly conservative to set the Reading's coal lands at half that, as the balance sheet did.

The real reason for the drastic nature of Harris's report, Gowen declared, was that the persons who were anxious for the valuation had desired it to be low. Not that Harris himself was responsible. He was an honest, pure-minded man, but the quiet paths of his profession had left him unacquainted with the depravity of humanity. The identity of the men who had deceived the engineer was unrevealed, but the inference was clear that they had intended a personal attack on Gowen.

The future was to hand down the verdict of a draw on this controversy. Officials of the Coal and Iron Company today admit that the corporation would have been better off if it had disposed of the tracts Harris recommended getting rid of; sixty years later it did abandon its title to most of them. The figures on percentage of recovery under modern mining methods are about 65 per cent, but only half of what is mined can be sent to market. Thus about 32 per cent of the coal in the ground is salable, a figure about midway between Harris's and Gowen's estimates. Average profits have been lower than even Harris's calculation of thirty cents a ton. On the other hand, the engineer's charges for compound interest were undoubtedly too high, and his estimates of future production were woefully astray. He had based his calculations on a maximum annual production of 37,000,000 gross tons to be attained in thirty years. This figure was actually exceeded by 1887, and maximum production was 88,000,000 gross tons in 1917.

From the balance sheet Gowen's statement turned to the company's business for the year. Although fixed charges, including rentals for leased lines, formerly considered operating expense, but not including sinking fund requirements, had been ten million dollars, one and a half million had been paid in scrip. The company thus had a small cash surplus from its operating income of eight and three quarter millions. By 1883, however, the end of the temporary relief afforded by the scrip payments and the suspension of the sinking fund would make fixed charges over ten and a half millions, almost two millions more than 1880 earnings, unless some relief were found.

While the operating income in 1880 had been five millions less than predicted, that had been due to the sudden collapse of the iron trade which had reduced production of anthracite 20 per cent below what had been expected for the year. Earnings were scarcely likely ever again to be as low as they had been in 1880, and, if the business expected in 1880

should be realized in 1881, the company could pay all its fixed charges and earn 10 per cent upon the stock. Nevertheless, to place the company beyond all reach of future disaster, the floating debt should be paid in order to recover the securities pledged for it, and the fixed charges should be reduced enough to practically guarantee the stockholders a dividend in the worst of times.

The floating debt, which totaled thirteen and a half million, should properly be paid by the stockholders. There was no legal power, however, to collect an assessment on the stock, except by foreclosure, and foreclosure would forfeit the companies' charters. Moreover, the Reading was not

in such danger as to justify a resort to such an oppressive method as that which threatens to sell a man's property unless he complies with a demand to pay what he really does not owe, and what he may not have in his power to pay.—A much better, more honorable, and more satisfactory way is to ask from each shareholder some voluntary payment, offering the option to each, and giving to those who do subscribe an obligation which in times of prosperity will give them a great advantage over those who do not.¹¹

The deferred bond plan, he explained, had been adopted to arrange for this voluntary contribution. A syndicate had offered to put up a 20 per cent deposit to guarantee the success of the issue for a commission of 5 per cent. Some difficulty had been experienced in securing a proper agent in London, and meanwhile so much assurance of the success of the scheme had been received that it might be possible for the company to dispense with the guarantee and save the half million in commission. The bonds should prove a profitable investment, for in a few years with returning prosperity they would be paying 20 per cent.

The proceeds of this issue would pay off all but three millions of the floating debt, and the rest would be taken care of by the unissued general mortgage bonds or by the new mortgage he proposed. Two classes of these new bonds, bearing 5 per cent interest, were to be authorized. Seventy-five millions of Class A would be used to retire the consolidated, improvement, and general mortgages. These would be perpetual, or at least 100-year obligations, thus eliminating or greatly reducing sinking fund requirements, and they would carry the right to bring suit to collect interest. The Class B bonds, also perpetual, would be used to retire the junior obligations of the company and to buy up the guaranteed

¹¹ *Ibid.*, p. 9.

stock of leased roads and canals. Their interest would be cumulative, but they would have to wait three years before bringing suit for default.

There could be no doubt, he continued, that the company could always earn enough to pay the Class A interest, and three years was unquestionably long enough to allow for any depression which might interfere with payments on Class B. Fixed charges on an issue large enough to retire all outstanding obligations would be only seven millions a year, or three and a half millions less than under the existing set-up. Even in 1880 this would have permitted a 5 per cent dividend.

There was no question that these new bonds could be sold, he asserted. Of course, all this could not be accomplished at once, since the holders of the consolidated mortgage bonds at 6 and 7 per cent could not be expected to exchange them for a 5 per cent issue. Within a year, however, it should be possible to reduce fixed charges by two and three-quarter millions. The plan had been approved by "experienced financiers, representing influential American, English, and Continental bankers," and several offers had been received to float the loan. Gowen hoped to complete all preliminary negotiations in Europe within the next two months.

Future prospects, moreover, were even more encouraging. With freights destined for Atlantic ports much heavier than those bound west, railroads needed anthracite to fill their empty cars on the trip back to the west. Since the Reading was in a better position than any other road to supply that anthracite, it could expect to get a larger share of the east-bound traffic in return. Already it took the Baltimore and Ohio into New York and the New York Central to Philadelphia, and closer connections with both these lines would soon be available. Within ten years even the Pennsylvania would have to give the Reading part of its east-bound traffic in order to get anthracite.

The *Railway World* skeptically discussed this whole statement at length, calling the deferred bonds "a very suspicious addendum," but conceded that the plan had "some elements of success." In a penetrating analysis of the author of the statement, it said:

As a public man Mr. Gowen is well known as having a quick, active mind, great resolution, determination, self-confidence, and hopefulness; and as a lawyer he was successful in the line in which such qualities could best appear. For a railway president, a superintendent of mines of coal and iron ore, and a manufacturer of iron and iron ships, other qualifications are required in addition to the above-named; and when, to the demands upon one mind, is added that of a knowledge of finances, it will readily be seen what an immense burthen Mr. Gowen has tried to carry. The human mind

has not been created with such a diversity of gifts, or the gifts are not in proportion to enable one man to excel in all departments. And should Mr. Gowen be found deficient in one or more of these various departments it detracts nothing from his rank as a man of great worth and ability, but is only another instance of a man attempting too much and failing in credit because of his inability to perform miracles. With men of this stamp there is always a streak of irritability at any questioning of their judgment; they naturally become dogmatic, jealous of the success of others, and cannot transact business except in their own way.¹²

To carry out his plan of reorganization, it was vital for Gowen to have the support of the McCalmonts for his reelection as president. Relations had already been badly strained by his abrupt dismissal of Powell and his association with McEwen. Not quite certain of where he stood, he was conducting a curious fencing duel for their proxies. On November 11 he asked by cable whether the McCalmonts, as London agents for the company, would collect proxies from the English shareholders for his management. The bankers, considering their customary solicitation of proxies to be for themselves rather than for the company, replied that they could not ask for votes while he was in conflict with Powell, and that their own proxy would be reserved until they heard from the American creditors' committee.

After answering somewhat huffily that he had no idea of asking their support, Gowen a few days later offered to buy their shares after the election if they would give him their proxy in the meantime. The McCalmonts refused to sell unless the condition was removed, but said it was their present feeling that they would support the American committee. Gowen then renewed his offer to purchase, provided they would turn over their proxy to the Philadelphia group, who were certain to support him.

When he sent another cable, conveying the request of the American committee for the McCalmont proxy, the bankers replied that they were sending it to a confidential agent to be held for last minute instructions. Since this confidential agent was the New York firm of Kidder, Peabody, and Company, hostile to Gowen and friendly with the Pennsylvania Railroad, the news was disastrous.

Sure that the Pennsylvania must be responsible for all the opposition that was developing, he fired a broadside at his enemies, lumping them all together as tools of that railroad, which, he said, was attempting to make the Reading a helpless slave, like the Philadelphia and Erie and the Northern Central. The argument had a popular appeal in Philadel-

¹² 6:1180 (Dec. 11, 1880).

phia, where there was fear that the Pennsylvania might get a monopoly over local transportation by acquiring control of the Reading. Third Street brokers thought Gowen's charges "something more than an imaginary creation," but the conservative *Railway World* said, "It is strange news to some of the antagonists of the present management that they are acting in the interest of rival lines. . . ." ¹³

It was now vitally important that he win back the support of the McCalmonts. With only a month remaining before the election, he made a flying trip to England to talk to them in person. As soon as he arrived in London on December 18, he hastened to their offices at 15 Philpot Lane. There he talked to Hugh; Robert, the other brother, had been too ill to take any part in the business for some time, and the "Company," who was William J. Newell, was only a minor partner. The old gentleman, reluctant to break with the charming American, was friendly. He said that the deferred bond scheme was too good to be true, but referred him to another banker to handle the plan. Nothing definite was said about the McCalmont proxies, but two days later Gowen returned to be told that they would be cast against him. The following day he was handed a notification in writing, along with a request to resign, which he refused, declaring confidently that he would be elected anyhow. Actually he could not at the moment have mustered one-third as many votes as the McCalmonts; convinced that his cause was right, however, he felt that the majority of the stockholders must be on his side, even if they had not yet given him their proxies.

A new issue was raised on December 23, when Lord Cairns suggested to Gowen that the annual meeting be postponed for sixty days to permit him to remain in England and complete his proposed reorganization. That seemed an excellent idea, especially since it would give him additional time to solicit badly-needed proxies. After the nobleman had broached the proposition to Hugh McCalmont, Gowen himself went around to Philpot Lane. The banker said that he was willing to agree to a postponement, but would have to consult with others on the subject.

Additional encouragement came that night from a meeting of the English share and bondholders at the Cannon Street Hotel. Pleased with his unusual policy of publicizing the affairs of the company, the Englishmen greeted him with loud enthusiasm. He frankly admitted two mistakes, financing expansion with bonds instead of stock and delaying bankruptcy for three years, but lightly dismissed both of them with promises of future prosperity. His reorganization plan was explained

¹³ 6:1154 (Dec. 4, 1880).

in glowing terms. His fighting declaration that he would remain in office until the company was again on a sound basis was received with loud cheers. When a critic tried to argue about his figures, the heckler was shouted down. Resolutions approving both Gowen and his reorganization plan were adopted with but one dissenting voice.¹⁴

Next morning Gowen went back to Philpot Lane, where Hugh McCalmont regretfully showed him a cablegram from Kidder, Peabody: WE ADVISE YOU DECIDEDLY REFUSE CONSENT TO POSTPONEMENT. When he learned that the wire to New York had mentioned only his name as requesting the delay, without reference to Lord Cairns, he objected that Kidder, Peabody would naturally oppose any suggestion from him. McCalmont said that he really could not differ from his agents, but, if Gowen wanted the election postponed, he could apply to the courts for permission. Gowen agreed that that would be the way to handle the matter, and thought that there should be no difficulty.¹⁵

Under the impression that the McCalmonts would offer no opposition to the delay, Gowen cabled his Board of Managers to request a postponement and cancelled his steamship reservation. A week later, after the boat had sailed, he was surprised to receive a wire from Philadelphia, informing him that counsel for the McCalmonts had appeared in court to protest against any postponement. Hastily he dashed off a letter to Philpot Lane, suggesting that the bankers should repudiate this action. When they replied that their interests were unreservedly in the hands of Kidder, Peabody, he declared with deep regret that he was forced "to resort to the tribunal of public opinion, whose judgment upon such questions is generally apt to be correct."

Meanwhile he was hurrying to complete his deferred bond issue before the annual election could take place. The hostile London *Times* created complications by publishing a report from Philadelphia that Kuhn, Loeb, and Company had withdrawn from the issue because none of the preliminary conditions had been complied with. Gowen promptly countered this with a letter to the secretary of the London Stock Exchange, which he asked the newspapers to print, stating that the story was incorrect, since he had notified the bankers that the company had eliminated the deposit in order to save the commission.

Three days later, on January 4, 1881, the *Times* dropped another bombshell on Gowen by printing a public warning from the McCal-

¹⁴ *Verbatim Report of Proceedings at . . . Cannon Street Hotel, December 23, 1880.*

¹⁵ Circular without title, place, or date, containing Gowen-McCalmont correspondence, Jan. 1-3, 1881.

monts. "As the largest shareholders in the Company," they stated that the American court had approved the bond issue only on condition that a guarantee was posted to insure its success. "The failure of such an attempt," they said, "would injure the Company; and even a success only partial might produce financial entanglements and mischief." They recommended that proceedings should be postponed until after the election scheduled for next week, which would determine the new management of the company.

This was exactly what Gowen did not want. He was counting on the successful floating of the loan to vindicate his judgment and assure his reelection. By calling attention to the court requirement of a guarantee, however, the McCalmont letter had seriously endangered his prospects. Deciding that some kind of a deposit was necessary, Gowen hastily revised the deferred bond prospectus, which was due to be issued the next day, and told "one or two gentlemen," as he later explained, to to to "some Bank" and get the necessary two million dollars. One of these "gentlemen" was probably James McHenry, an English promoter, long interested in the Atlantic and Great Western, against whom the Erie Railroad had just obtained a two million dollar judgment for alleged bribery.

McHenry's wits were equal to the occasion. Discovering a mysterious Comte de la Chapelle, he obtained from him a letter of credit on the Anglo-French Union Bank of Paris for \$2,058,000. The count required only 5 per cent interest on the deposit, with the understanding that the check was to be returned uncashed if it should not be needed. Careful to ask no embarrassing questions, Gowen put the check into his pocket and cabled to George Keim, acting head of the company in his absence, that the deposit had been received.

Reading about the guarantee in the prospectus, the McCalmonts asked the Reading's London agent the whereabouts of the deposit. Mr. Gardyne responded that it had been furnished "principally by an association of French capitalists" and was deposited with "a well-known bank in Paris." When they tried to learn the names of these financiers, Gowen sent a reply that the money was subject entirely to his own order and that he could not inform them of the identity of the syndicate, since they had been so hostile to the company.

From Receiver Lewis in Philadelphia came a cable, reminding Gowen that the deposit was supposed to be sent to Philadelphia and that his fellow-receivers could not consent to leave it in Gowen's hands. He replied that it would be impossible to send the money to Philadelphia, since the bonds would be oversubscribed by January 12, and the deposit would have to be returned.

Lewis wired once more, insisting that the money be sent to the receivers, since the court order had required them to hold the deposit to cover unpaid installments. "IF FUND CANNOT BE SENT," his cable ran, "I FEAR IT MAY PROVE MYTHICAL IF SCHEME UNSUCCESSFUL." Still not receiving the money, Lewis wired the next day, urging that the funds be sent by January 17, when the court would hear a petition to revoke the authorization of the bond issue. Gowen answered that it would be impossible to collect any money before January 20, but that Lewis could draw on him by a ten-day draft for any funds he might need. Subscriptions had been received for twice the total issue, he said, and since the guarantors had got none of the bonds, it would be wrong to transmit their money to Philadelphia.¹⁸

Fortunately his fellow-receiver did not attempt to draw on him for the money. Although the entire issue was allotted, the bringing of court proceedings halted all payments after the first installment had been received. In fact, nothing at all was paid on a fifth of the bonds, including the one and a half million sold to Franklin B. Gowen, Mount Airy, Philadelphia.

¹⁸ *Circular of Messrs. McCalmont Brothers & Co.* . . . (London, Oct. 31, 1881), p. 14.

CHAPTER XVI

BATTLE OF THE PROXIES

Meanwhile the Reading managers had been doing their best to find some way of obeying Gowen's direction to postpone the election. Luckily they found a technicality to aid them. The by-laws stated that the annual meeting could be held outside the company offices only when some other location was specifically authorized by the board. As he had for the last four years, the secretary had called the meeting for the Musical Fund Hall without any action by the directors.

The Managers therefore petitioned the court for a delay on the grounds that Gowen's presence was needed for the meeting and that there had been a flaw in calling it. When the court at length refused to act, the opposition was triumphant. Kidder, Peabody claimed 225,000 proxies, enough to insure Gowen's defeat, since normally only about four hundred thousand shares were eligible to vote. In addition, C. E. Smith and his ally, J. W. Jones, were said to have about thirty thousand proxies.

The Board of Managers, however, undisturbed by the lack of judicial authorization, rescinded their illegal call. Deciding to postpone the meeting only long enough to give a reasonable notice, they set a new date of March 7, although Gowen had wired a second request asking delay until May or June to give him time to register his proxies. His disgruntled foes talked of holding the meeting anyhow. At noon of January 10, the date it had originally been scheduled, ex-president Smith and the Kidder, Peabody representatives arrived at the Reading offices with their proxies. After they had been ignored for a few minutes in the vestibule, they advanced on the presidential office, where George Keim informed them that there would be no meeting. Still clutching their proxies, they strode off to the Musical Fund Hall but found nobody except the janitor, who told them the building was closed. When the McCalmonts' counsel applied for a writ of mandamus next day to compel the holding of an election, the Managers sulkily refused to act until the suit was dropped. Then they agreed to call a meeting for March 14.

Having gained this reprieve, Gowen on February 1 issued an appeal for proxies from London. The McCalmonts, he charged, "seem to be controlled by their American attorneys, possibly without knowing that

the latter have for years represented an interest adverse to the Company." After suggesting that the annual meeting be postponed, they had permitted these attorneys to bring suit to hold the election when it was too late for him to return from Europe. The same counsel had sought an injunction against his reorganization plan after the deferred bonds had already been successfully issued, and had tried to stop work on the proposed extension west of Williamsport, which the McCalmonts themselves had declared "of immense future benefit."

If the London firm wished to get rid of him, the quickest way would be to aid him in carrying out his reorganization plan, since he had promised to resign as soon as that was completed. That could not be their real object, however, since they also planned to turn out four of the present managers, who had had many years of experience, and to replace them with persons who had had no interest in the company and who had connections with rival railroads.

The only explanation he could give was that the McCalmonts were acting under bad advice from persons who were trying to turn the company over to its worst enemy, the Pennsylvania Railroad, and he cited several letters from John W. Garrett, president of the Baltimore and Ohio, in support of this viewpoint. Moreover, the McCalmonts' attorneys had no plans for reorganizing the company, but were associated with every one who was trying to depress its stock. On the other hand, the existing management had a plan which would put the company on a sound basis. If carried out, this plan would permit dividends of 6 per cent on both the common stock and the new deferred bonds when the company had only seven good months out of the year.

He closed his plea with a request for shareholders to return their proxies to him, even if they were ineligible to vote, that he might know that he had their moral support. The same circular was mailed to the American stockholders two weeks later, with the dubious appeal for invalid proxies eliminated.

When he called another meeting of the English security owners on February 4, the McCalmonts sent him a restrained explanation of their position, which they asked him to read at the meeting. Denying that they had any intention of placing the Reading under control of the Pennsylvania, they wrote:

. . . you treat every one who opposes you personally as having sinister motives, and being an enemy of the Company. The truth is, that you have so long held unlimited sway that you confound the Company with yourself, and are unable to understand how anyone can honestly differ from you. This is one reason, and not the least,

why we think no effectual reform possible while the Company is under your control.¹

Gowen maneuvered his meeting with his usual success. When he announced the letter he had from the McCalmonts, the shareholders refused to hear it. Instead, they adopted a resolution with but one dissenting voice, approving Gowen's course and requesting the bankers to withdraw their opposition. The McCalmonts attempted to get their side before the public by announcing through the *Times* that copies of the unread letter were available at their office and by issuing another circular in reply.

Armed with his English proxies, Gowen took ship for Philadelphia. At his return on Monday, March 7, the Reading offices took on new life and resumed the air of efficiency he demanded. Doors left carelessly ajar were now closed, and janitors stood at attention. Confidently claiming two-thirds of the shares, he declared:

While in England I was astonished beyond measure to find such general cooperation and sympathy with the existing policy and management of the road. Indeed the McCalmonts stand alone.²

Additional support seemed promised by the latest development in the railroad war. In revenge for the difficulties imposed by the Pennsylvania in the Baltimore and Ohio's use of the Junction Road to reach the Reading's lines and continue to New York, the B. & O. tried to buy up control of the Philadelphia, Wilmington, and Baltimore, which furnished the connection between Baltimore and Philadelphia for both it and the P. R. R. The Pennsy, however, snatched the road from under its nose with the aid of the senior partner of Kidder, Peabody, thus shutting the B. & O. out of Philadelphia. To Philadelphians the appearance of Henry Kidder in this role seemed added evidence that the Pennsylvania was back of the move to oust Gowen in order to gain a monopoly of Quaker City transportation.

Checking his 370,000 proxies against the books, however, Gowen discovered the dismaying fact that only 78,000 were eligible to vote. Of the rest, half had not been registered for the required three months before the election, and half were not registered in the names of the persons who had given the proxies. Coming to the conclusion that the majority of the stockholders were about to be disfranchised on a tech-

¹ . . . *Letters of Messrs. McCalmont Brothers and Company, February, 1881* (New York, 1881), p. 13.

² *Philadelphia Times*, Mar. 8, 1881.

nicality, he decided to resort to another technicality to protect their interests. Since the by-laws required the presence of a majority of the shares at a special meeting, he appealed to the courts on Friday to rule that the election scheduled for Monday was a special meeting.

When the court failed to reach a decision by Saturday, he obtained a written opinion from the company's counsel that the Monday election was a special meeting and issued an appeal to his supporters to abstain from voting in order to make the election invalid. In extenuation of such tactics he explained:

... my duty to the large majority of shareholders who have given to me and to the present managers such generous and cordial support requires me to take all such proper and legal steps to protect their property from the attacks now being made upon it. . . .⁸

When the postponed election finally occurred on Monday, March 14, Gowen was as conspicuous by his absence as he would have been by his presence. Curious spectators filled the Musical Fund Hall an hour before the meeting to see what would happen. On every wall they noticed large posters, signed by Gowen, urging the shareholders not to vote. Telegraph boys were handing out to all comers his circular of Saturday with the same message. The opposition, more parsimonious, had other boys selling for a nickel a copy a *Review of the Annual Reports*, a reprint of critical columns from the *Philadelphia Record*, apparently inspired by C. E. Smith, which had already run into four editions.

In trooped John C. Bullitt, a Philadelphia lawyer, with two assistants from New York, representing the McCalmonts, two Kidder, Peabody delegates, and the inevitable Smith and Jones. The only hearty burst of applause came when George M. Dallas, appointed by the court to preside, read Gowen's letter announcing his decision to abstain from voting. The opposition triumphantly registered its proxies, and the foregone result was announced: Anti-Gowen slate, 208,255 eligible votes; Gowen, 62, two shareholders, named Patrick Maguire and A. Tatem, voting for him in spite of his request. The newly-elected president was Frank S. Bond, a former officer of the Texas and Pacific Railroad, with a faint resemblance in appearance to Caspar Milquetoast.

For the moment the resemblance included Bond's career as president. Calmly ignoring the election as illegal, Gowen called another impromptu meeting of the stockholders for Saturday, but had to postpone it when he sprained his leg getting on a streetcar Tuesday afternoon. Bond

⁸ *Philadelphia Times*, Mar. 14, 1881.

appealed to the Philadelphia courts for help and after a month finally got a ruling that he was president. Still ignoring his rival, Gowen took the case to the State Supreme Court. A week later Bond finally got into the Reading offices with a Federal court order. A curious reporter, wandering into his new quarters, found it contained an empty safe, empty wastebaskets, empty ink bottles, and clean paper and pens, and commented: "It is a picture of unofficial anticipation of indefinite developments." At last inside, Bond proclaimed himself president, but Gowen continued to cling to the title and the company records.

The opposition made more progress in another legal joust. Lawyer Bullitt and his colleague, Ashbel Green, appeared in Pittsburgh to argue for the revocation of the deferred bond authorization by the United States Circuit Court. The success of his reorganization plan hinged on this battle. He presented affidavits revealing the origin of the mysterious guarantee, although he could tell nothing about the Anglo-French Union Bank—which failed a month later because of its inability to pay a bill of a thousand dollars. Bullitt, who had characterized some of Gowen's actions as "almost criminal," brought up the violation of the court's order for the deposit of the guarantee and the dubious nature of some of the subscriptions for the bonds. Justice McKennan neatly straddled the question by revoking the authorization on the slightly irrelevant grounds that, being irredeemable, the deferred income bonds were not bonds and hence could not be issued. He explained that he had overlooked this point the previous November, since it had not been brought up. The same ruling automatically tossed Gowen's proposed consolidated mortgage out of the window. He promptly announced, however, that this technical flaw would be amended and his plans carried out.

Although still lame from his accident, he held his postponed meeting of the Reading stockholders in the Academy of Music on April 23. A large crowd packed the orchestra, the parquet circle, and two galleries, overflowing into the aisles, the steps, and the lobbies; many from out of town had come in on special trains provided by Gowen. A friendly reporter thought the audience consisted largely of "the solid business men of the community—men of affairs, of brains, of foresight, of success." Even ex-Governor Hartranft, forgetting his anger at the Molly Maguire pardon charges, had a private box.

Full of self-confidence, which verged on arrogance, Gowen entertained his listeners with a long and witty diatribe against all his enemies. C. E. Smith had entreated him to sacrifice his career as a lawyer and take over the presidency of the company in order to save the retiring president from the asylum. The cowardly McCalmonts had refused to

put up a second half million dollars to protect the stock of the company when he was relying on them, and they had again refused a half million to save the company from bankruptcy. The opposition had imported a London stockbroker to attack the integrity of the late Adolph E. Borie, a man whose honor was "as unsullied as the chastity of a vestal." Harris had resorted to an algebraic equation to destroy the value of the coal property, with the result that he estimated land covered with timber at five dollars an acre more than land that had both timber and coal. The Anglo-American bankers had opposed his reorganization plan because he had denied them the commission on his deferred bonds. Hugh McCalmont had tricked him into remaining in England until it was too late for him to return for the annual meeting. As he denounced "the cowardly meanness of such a dastardly act as that," the reporter noted "applause," "renewed applause," "great applause," and "long-continued applause."

He satirized the *opéra bouffe* performance of Bond and his would-be Board of Managers. His six directors must be the influential stockholders who had opposed his election, although they had bought their shares since December. There were two classes, the sanguine, who had each purchased fifty shares, and the cautious, who had bought only twenty-five. While the audience was still laughing, he showed the insignificance of the opposition's votes. Outside of the McCalmont holdings they had been able to poll only twenty-five thousand English shares and only five thousand in America. A mere seventy-four American shareholders had voted against the existing management. When Bond had moved into the Reading offices, he had invited him to call, since he liked an occasional visit from some one who had no business connected with the company, and, if there was anybody about the office who had less business than Mr. Bond, he would like to know it. Mr. Bond's board was an honest and an able one; some of the members were honest and some were able.

The whole crusade against the Reading had been gotten up to place the company under the control of the Pennsylvania Railroad. The Pennsylvania was trying to induce the Reading to abandon its right to bring Western products to Philadelphia in return for the Pennsy's anthracite business. The Reading had always helped Philadelphia, while the Pennsylvania "had done more to destroy this city in business and in morals than an army of the locusts of Egypt." The Pennsylvania had grabbed the Philadelphia, Wilmington, and Baltimore to keep the Baltimore and Ohio out of the city. If it also gobbled up the Reading, nobody in Philadelphia would be able to do any business

whatever without first making obeisance to the Pennsylvania Railroad. He revealed that his detectives had brought him reports on the Pennsylvania's attempt to bribe the legislature in 1879, and he charged it with controlling the City Council of Philadelphia.⁴

This battle against monopoly and corruption struck a popular note. The audience renewed its applause as he ended after three hours. The reactions of the Pennsylvania Railroad officials was less favorable. Colonel Tom Scott said Gowen had "placed himself beyond the pale of official recognition," and President George Roberts said his remarks were "so unbecoming that I do not desire to offer any comment." Even his friends cautioned him against indulging in such excessive abuse.

Despite his popular support, Gowen finally lost his court battle over the election. The State Supreme Court by a 4-3 vote on May 23 ruled that the March 14 election had been at an annual meeting, and ten days later denied a plea for a rehearing. Gowen complacently admitted his defeat, saying he would hang on to the receivership and the presidency of the subsidiary companies, leaving Bond nothing to do but sign stock certificates. Recalling the vote of the Electoral Commission which had made Hayes President four years before, he said with a twinkle in his eye, "A decision of 4 to 3 is very much like a decision of 8 to 7, and no man who ever took office by an 8 to 7 decision was ever afterwards thought of for a reelection." Then he laughed heartily.

He at once wrote to Bond, suggesting the adoption of his reorganization scheme. He reminded him:

. . . I am the legally authorized proxy and representative of a clear majority of all the shareholders of the Company, and if there should be any doubt upon your mind, or upon that of any member of your board about this fact, I shall be very glad to furnish evidence of it, so that in our future intercourse or correspondence my real position as a representative of shareholders in the Company may be recognized and defined.⁵

Enjoying Gowen's attack on the Pennsylvania, the public asked for more. An invitation, signed with the names of hundreds of merchants, coal and iron men, and thirty members of the legislature, asked him to deliver an address on Philadelphia's railway problem. Once more the Academy of Music was packed on June 16. Spectators stared at two huge railway maps displayed on the stage to illustrate the talk. Gowen's

⁴Gowen, *Address . . . at the Academy of Music, Philadelphia, on Saturday, April 23, 1881*.

⁵. . . *Verbatim Report of Proceedings at a meeting of Share and Bondholders, held at the Cannon Street Hotel, London, E. C., August 5, 1881* (Philadelphia, 1881), p. 39.

good friend E. C. Knight, led out General Robert Patterson, Philadelphia's venerable "hero of three wars," only a few months from his grave, who was greeted with applause. The old veteran said there was no need to introduce "a man who is known in every city and State in the Union . . . whose courage redeemed the Schuylkill region from a set of robbers, and pirates, and murderers; the only man in this State who had the nerve, the ability, and the perseverance to do it."

The audience burst into applause again, which grew thunderous as Gowen stepped on the stage. One eye-witness wrote: "Like a charger pawing impatiently for the fray, the orator stood in evident consciousness of power and, darting his keen glance over the audience as he paled and flushed by turns, he waited for silence."⁶ When the applause died down, he donned his shining armor and launched his attack on the dragon, which was holding the fair city of Philadelphia in chains.

If Philadelphia, he said, had collected and distributed the wealth of Pennsylvania, it would have been the first city of America. Fifty years before the city had projected the Pennsylvania to reach the West, the Sunbury and Erie to connect with the Great Lakes, and the Reading and the North Pennsylvania to reach the anthracite region. These plans, however, had failed to bring the State's commerce to Philadelphia. New York City was shipping three times as much of Pennsylvania's anthracite as was Philadelphia, four times as much of its petroleum.

While the Reading had been trying to develop the state and bring its commerce to its chief city, the Pennsylvania had been building up western lines and injuring those inside the State. It had gained control of the Philadelphia and Erie and held back its anthracite traffic to protect pet industries conducted for the benefit of its officers. It had tried to prevent the construction of oil refineries in Philadelphia. It was shipping twice as much grain to Baltimore and New York as it was to Philadelphia.

The Reading, on the other hand, was bringing the anthracite trade to Philadelphia. It was projecting a line to Port Allegany, which would connect it with the Great Lakes, the northern bituminous regions, and the oil fields. Other lines were planned to the south and west from Harrisburg, which would furnish more valuable connections. The money was ready to build these lines, but work was being held up until it was learned whether the Pennsylvania would control the Reading. If it did, Philadelphia would lose the benefit of all these plans.

There were many signs that the Pennsylvania was backing the fight

⁶ Philadelphia Times, June 17, 1881.

against him. Among them was the recent 4-3 decision of the State Supreme Court. There was but one power in the State that could control the utterance of that court, and the audience knew well enough what that power was. As citizens of Philadelphia, it was to their interest to preserve the independence of the Reading by buying stock to vote for him in the next election.

There was a still more important issue to be discussed, however, one which affected the honor and integrity of the entire nation. There was an uneasy feeling of dread and apprehension in the minds of the people over the evils committed by the railroads. Unless it were allayed, this feeling might lead to revolution. There were three great wrongs of corporation management: Unjust acquisition of wealth by railway officials; unjust discrimination in favor of particular individuals or companies; and corrupt control of political power. Each of these injustices were exemplified in the Pennsylvania Railroad.

Then, calling on his listeners to follow him on a noble crusade, he concluded:

I cannot but believe that you will do your part to place your great City in the position she should occupy towards a system which permits such wrongs to go unrebuked. Those who suffer from the injury can apply the remedy, and I can only conclude by expressing the hope that the irresistible fiat of a great people will be heard and obeyed . . . so that vice may be defeated and virtue may be triumphant, and "so that a man shall say, verily there is a reward for the righteous, doubtless there is a God that judgeth the earth."⁷

The speech carried conviction. Many Philadelphians decided to overlook the past flaws in Gowen's management and give him their support. He gained more backing in New York by talking William H. Vanderbilt, the New York Central magnate, into joining his war on the Pennsylvania and into buying up shares to insure his reelection.

Next he transferred his campaign to the other side of the Atlantic. At the Cannon Street Hotel on August 5 he addressed another meeting, which adopted a resolution calling on all the English shareholders to register and vote at the coming election. As proof that his interest was not personal, he again offered to retire if the McCalmonts would accept his reorganization scheme. If they would not, he was still prepared to buy their stock; he offered them forty dollars a share, six dollars above the market.

⁷ Gowen, . . . *The Position Which the City of Philadelphia Should Occupy . . . to the Railway Problem of the Day* (Philadelphia, 1881), p. 61.

He talked as if he had tapped inexhaustible financial resources. He sent a confident cable back to Keim, stating that he could at once raise enough money to pay off all the floating debt and the back interest if Bond and his board would resign. Then, mailing out another campaign address to the English stockholders, he returned to America to keep the election drive going there.

Frank Bond, at last able to get at the company's books, had meanwhile issued a reorganization plan, which involved issuing additional stock to bondholders who surrendered a portion of their interest. When Gowen arrived in Philadelphia, he promptly charged that the plan had been drawn up to drive down the value of the stock. On a walk down Third Street, he was surrounded by a dozen bankers and brokers, who shook his hand and congratulated him. He laughed at rumors that Vanderbilt would not support him with the shares he was buying.

Another circular to the stockholders formally announced his candidacy. He declared that the company would have earned a 6 per cent dividend in 1881 if his reorganization plan had been carried out and claimed that his supporters already owned enough stock to insure his election.

The next day the shareholders added Bond's appeal to their growing collection of campaign literature. In it they read some of the details of the moribund deferred bond scheme. They were told that of the fifty millions, face value, subscribed on the first day, twenty-five millions had been subscribed by the now defunct Anglo-French Union Bank, the bankrupt James McHenry, and Franklin B. Gowen, none of whom had paid a single dollar of the first installment of \$360,000 due on the bonds allotted them.

Bond criticized Gowen's extravagance on the coal lands and his parsimony on the railroad. He said that the coal company had lost forty-eight million dollars in ten years, and that the Reading in the prosperous years of 1871-75 had paid out in dividends fifteen million dollars more than the two companies had earned, the difference having been charged to the cost of coal lands. He pointed to the abandoned retail coal yards and the weed-grown shipyard at Port Richmond, representing a wasted investment of three millions. He cited the unprofitable leases of the two canals and the Catawissa, which were costing the company over a half million a year. Referring to Gowen's repeatedly unfulfilled predictions of prosperity, he said:

The annual reports from the time the embarrassments of the company were first made known, are but a yearly succession of

promises of immediately returning prosperity, and at the same time a yearly admission of failure to realize the hopes of the past.

Such repeated misjudgment can only be explained upon the theory that there existed a radical inability upon the part of the management to grasp the business questions presented.⁸

These charges made interesting reading, but many of them were growing monotonously familiar. The *Record's Review of the Annual Reports* had already hashed over the details of the juggled bookkeeping, and charges and counter-charges concerning the deferred bond issue left the stockholders mystified. Most of them were more impressed by the fact that Gowen's scheme in some uncanny manner preserved the value of their stock, while Bond's plan did not.

Even before his own circular was in the mail, Gowen had started back to England to join in the pamphlet war there. The McCalmonts had an appeal to the stockholders ready on his arrival. Apologizing for its length on the grounds that Gowen had already published 250 pages of propaganda and that a long and careful explanation was necessary to expose his conduct, they gave their own side of the story with precise care. Their account of the deferred bond issue and his appeal for their votes made him seem both a liar and a scoundrel, although they used no such terms. They criticized his judgment and his personality, saying:

. . . Mr. Gowen insists that his coal-land policy is the right one; he vaunts it on all occasions; he values the property at absurd and impossible prices to defend it; he is absolutely blind to what may now be seen to be its fundamental unsoundness. Such an incapacity to learn shows a radical defect in business intellect, and even if further purchases of coal lands were impossible, such a mind would be sure to plunge into some new enterprises equally unsound, and the Company would, before long, be sunk in a deeper gulf of insolvency than ever. . . .

Whoever differs from him must be wrong; he will tolerate no contradiction or resistance; and when he meets serious opposition, no matter from whom, no matter after what previous forbearance or favor to himself, it is met with furious charges of corrupt or malicious motives, and with insults which are nothing short of public outrages.⁹

On November 10 Gowen replied with another speech at the Cannon Street Hotel. Once again he offered to buy the McCalmont shares, drop-

⁸ Frank S. Bond, *An Address to Shareholders of the Philadelphia and Reading Railroad Company*, . . . October 1881 (Philadelphia, 1881), p. 7.

⁹ McCalmont Brothers & Co., . . . *To the Stockholders of the Philadelphia and Reading Railroad Company* (London, Oct. 31, 1881), pp. 29, 67.

ping his price this time to thirty-five dollars. The meeting gave him an enthusiastic endorsement. His foes tried a new tactic by reprinting the speech with their own comments interspersed. Much valuable space was wasted in the controversy over what valuation Harris had placed on the coal and timber lands, which Gowen had mentioned in his talk on April 23. Although he admitted that his original figures had been wrong, he succeeded in getting even the McCalmonts confused.

While arguments raged on in more circulars and letters in the English papers, Gowen returned to Philadelphia, "as plump as a partridge," according to one observer. It was generally conceded that William H. Vanderbilt could swing the election with the forty thousand shares he had acquired. Bond went to New York to try to make a deal for these votes, and Gowen followed him to hold Vanderbilt in line. He returned with cocky assertions of success, but not even his friends shared his confidence. When the McCalmonts appealed to the courts to supervise the election, he assailed the move as "a forlorn attempt to disfranchise by technicalities" the proxies which the opposition had failed to get.

The annual meeting began at noon on January 9, 1882, in Philadelphia's Association Hall before a crowd of spectators, who watched the proceedings with as much interest as a political convention. Gowen, never looking fresher, took his seat on the extreme left of the front row. Beside him sat Augustus Schell, representing Vanderbilt. On the right were the opposition, including ex-president Smith and his predecessor, John Tucker, John C. Bullitt, and ex-judge Ashbel Green. Bond sat on the stage near the chairman appointed by the court, George M. Dallas.

The first business was the reading of the annual report, which was ordinarily passed over by unanimous consent. This time, however, one of the stockholders insisted that it be read. As Bond droned through the dull figures in a low voice that could scarcely be heard beyond the first row, the audience grew restless. An ironic cry of "Not so loud" came from the back of the room. Gowen jumped to his feet with a charge that Bond was trying to delay the meeting in order to hold on to his office. Bond called on the stenographer to take down every word Gowen said, adding excitedly that the charges were "baseless and utterly untrue." The chairman declared that these personalities must cease. "Glad of it," said Gowen, as he nonchalantly pulled an apple from his coat-tail pocket and began to eat it.

The man who had demanded the reading of the report rose, and, staring at the apple-eater, said he would agree to dispense with the reading if there were no more speeches. Popping up again with a serene smile,

Gowen said, "I did not intend to make a speech. I came here by direction of the receivers to present their report and correct figures in the report that is being read—errors that I will attribute to short experience and want of arithmetical knowledge." The audience rocked with laughter.

The balloting dragged out day after day, as each proxy was carefully checked. On Friday the two candidates were almost neck and neck, with only the Vanderbilt shares yet to be voted. The Bond forces watched expectantly, still hoping the New Yorker might have changed his mind, as Augustus Schell carried a heavy carpet bag up to the platform. Examining the proxies, the chairman called off, "William H. Vanderbilt, forty thousand shares." Every eye followed Schell's hand as it reached out to the pile of Gowen ballots. An outburst of applause came from the floor and the gallery. While Chairman Dallas rapped ineffectively for order, the crowd started for the exits, exclaiming, "That elects him." Bond walked out, whistling and looking greatly relieved. When asked for comment, he laughed, "We have met the enemy, and we are his'n."

The next day Gowen was formally declared president. Lawyer Bullitt said there would be no contest of the election. The McCalmonts grimly dumped all their investment in the Reading on the market. Within a few months they had sold every bond and share they owned in the company, some of which they had held since the year after Gowen was born.

CHAPTER XVII

TRIPLE ALLIANCE

Gowen's triumph was celebrated with a magnificent victory banquet at the Hotel Bellevue in Philadelphia on February 21, 1882, given by his good friends, George Keim, E. C. Knight, Edwin M. Lewis, J. B. Lippincott, the publisher, and others. Among the invited guests were William H. Vanderbilt, his son Cornelius, and his associates, Augustus Schell and General George J. Magee, of Corning; John W. Garrett and his son, Robert, of the Baltimore and Ohio; and the heads of the Scranton coal companies, Samuel Sloan, Thomas Dickson, and George A. Hoyt.

The banquet room was resplendent in the full flower of Victorian elegance. The *Philadelphia Press* wrote lyrically:

The table was oval, and in the centre was a bed of flowers in bloom, consisting of calla lilies, geraniums, narcissus, cinerarias, and other choice and fragrant blossoms. Fringing the flower bed, which was eighteen feet long by two and a half feet wide, were festoons of smilax, forming star points opposite each plate. At the head and foot of the table were pyramids of choice fruits enclustered in flowers. In the centre of the screen which divided the apartment was a tree twelve feet high with wide-spreading branches covered with white camellia. Festoons of evergreens entwined with blossoms adorned the walls, chandeliers and sideboards. On the wall beneath the centre windows was a beautiful floral device, forming the words, "In Honor of F. B. Gowen," the first three words being in red carnations, and the name in tea roses. On either side, a few feet away from the centre were twin devices in bonsilene roses, forming the words "New York" and "Maryland." These inscriptions were joined by floral chains, and were intended to be typical of the support given to Mr. Gowen by the Vanderbilts of New York and the Garretts of Baltimore. In different positions about the room were magnificent vases of rare and beautiful china, candelabra of old Dresden, ormolu clocks, bronze statuettes and other articles of *virtu*; in fact, wherever the eye rested something beautiful was recognized.¹

On the menu bound in white satin were listed such out-of-season delicacies as reed birds on toast, fresh caught shad, fresh tomatoes, and

¹ Quoted in *Pottsville Miners Journal*, Feb. 22, 1882.

strawberries and cream. One of the soups was made from game, and the other was consomme, in which floated little colored balls made of chicken and turkey. The most elaborate entree was a dish made of breasts of capon, embellished with a variety of edible decorations. Among the desserts were cake wheelbarrows containing "bombes Japonaises, curious little spheres made of rare creams." The feature of the dinner was the *Sorbet Chemin de Fer a l'Imperiale*. In front of each guest was placed a foot-long model Reading locomotive and tender, resting on eighteen inches of steel track. White cotton steam puffed from the valve, and a cloud of black wool issued from the chimney. The cow-catcher pulled out a drawer filled with iced punch, and the tender was loaded with imported cigarets. Keim toasted the guest of honor with a warm eulogy, and Gowen replied with much emotion.

Deeply appreciative of this tribute, Gowen set out to prove that it had been deserved. Since he had declared that his only reason for seeking reelection was to put through his reorganization plan and get the company back on a sound footing, he at once set his hand to the task. Fighting the decision of the United States Circuit Court in a round-about way, he arranged to have a suit brought against the company in the Berks County court to compel the issuing of the deferred income bonds. When Judge Hagenman issued the mandamus, the company immediately took the case to the State Supreme Court in order to get more impressive authority.

Overlooking Gowen's recent attacks on their integrity, the justices decided in favor of the legality of the bonds by a 4-3 vote, a margin which he did not this time find ridiculous. The Federal court, confronted with this verdict on Pennsylvania law, promptly vacated its injunction against the bonds. Flushed with this victory, Gowen wiped his hands of the McCalmonts by raising the money to pay off the \$1,600,000 of the floating debt which they still held.

To the stockholders he mailed a glowing statement of the company's condition. The deferred bonds and forty millions of his 5 per cent consols, he said, would reduce the ten and a half millions fixed charges by one million dollars, and a few deft strokes of his pencil slashed them another million and a half in the future. Against this prospective figure of eight millions he set earnings of ten millions in 1881, expected earnings of eleven millions in 1882, and twelve millions before long. This would give holders of the deferred bonds a return of 20 per cent on their investment. His optimism was still contagious enough to make the issue sound attractive. The bonds sold for a slight premium in Philadelphia, as Americans bought up some of the English allotments.

With his preparations complete, he set out for Europe on April 4 to obtain the money he needed. Just before he left, a group of coal operators walked into his office and surprised him with a large silver vase, around the top of which was inscribed: "Presented to Franklin B. Gowen as a token of remembrance of his services in suppressing lawless violence and reestablishing security for life and property in the anthracite regions of Pennsylvania." This was a comforting reminder of one of his great victories of the past, and London was to give him another triumphant celebration of his latest conquest.

Metaphorically dragging the McCalmonts at his chariot wheels, he appeared again at the Cannon Street Hotel on April 21 before the largest stockholders' meeting ever held in London. By fighting his reorganization plan, he declared, the McCalmonts had cost the company a million dollars in interest and four millions in depreciation of the value of the securities he could have issued then. They could, in fact, be sued for damages if the shareholders wished. He boasted:

The management of the Company has just emerged from the most inquisitorial investigation to which any management was ever subjected . . . and I want to say that, to the credit of everyone connected with this Company, that there was not one single thing on which those enemies could lay their hand which would bring the blush of shame to the face of any honest man. I grant that there may have been errors of judgment. No man can escape from committing them, and we have made mistakes, but the greatest mistake of them all was that Messrs. McCalmont Brothers and Co. approved of and advised—namely, the issue of debt instead of share capital for the purchase of the coal lands. That was the great mistake. The others were trifles. . . .

I was determined to hold on, and I thank God that I was enabled to succeed, so as to work out to its full and final success that which I undertook eight or ten years ago. . . . I was very proud of the almost unanimous vote I obtained in the United States, but still prouder of the fact that, leaving out the votes of Messrs. McCalmont and their family and clients, I had 80 per cent. of all the English shareholders.²

He repeated the details of his reorganization plan. Of the thirty-four million, face value, issue of deferred bonds, the first installment had been paid on twenty-six millions. There had been no payment on some eight millions because of doubts as to the legality of the issue—he did not mention that he himself held one and a half million of that amount

² Gowen, . . . *Verbatim Report of Proceedings at a Meeting of Share & Bondholders Held at the Cannon Street Hotel . . . April 21st, 1882 . . .* (Philadelphia, 1882), pp. 14-15, 25.

—but every dollar of this would be paid within the month—he did not explain where the bankrupt McHenry would get the money to pay for the four millions allotted him.

The net receipts of ten million dollars from the issue would more than pay off the floating debt, which he had reduced four millions by simply ignoring the receivers' certificates and unpaid interest. The sale of 160 millions of his 5 per cent consols—they had grown by twenty millions since the idea was born—would reduce fixed charges to eight millions a year. Of course, there was no hurry in issuing these bonds. It would cost only 1 per cent a year to wait until they would bring a good price in the market. Although he had talked of selling forty millions now, which would have retired the callable general mortgage bonds, for the present he proposed issuing only thirteen millions. This would all be used to pay off debt except for one million, which would go to build a new road to carry out a contract with the New York Central.

Although the London meeting enthusiastically approved everything Gowen said, he suddenly grew mysteriously silent. In the absence of news Philadelphia seethed with rumor while Gowen traveled from London to Wiesbaden, back to London, to Paris, again to Wiesbaden, to Hamburg. Stories that he had and had not completed his loan circulated. The company office said that he had sent funds to pay the back interest, but could say nothing about the new loan. At length the prospectus appeared, announcing a thirteen and a half million issue, of which four millions was to be for new equipment and construction. Still expecting the original forty millions, Philadelphia was a little startled by the modest size of the loan, but the stock rose.³

When Gowen failed to send the money to pay off the five millions in scrip which matured July 1, the shares sagged again. In August a news item from London, announcing a call for payment on the consols, seemed to indicate that the loan had been successful, but Gowen lingered on in Europe. Rumors said that his trips to Paris and Hamburg were in search of more money. A Third Street wit, noticing the gaunt figure of ex-president Smith entering the boardroom, mischievously pointed to the blackboard and said, "Fifty millions of freemen have harvested the biggest crops ever known, have sold them for high prices, and with money in their pockets have all come here to buy Reading." "They might as well have had bad crops," grunted Smith.⁴

³ *Philadelphia Times*, June 23, 1882.

⁴ *Philadelphia Times*, Sept. 11, 1882.

Finally in November Gowen started home. This sounded like good news in Third Street, since his friends were sure he would not come back until he had succeeded. Those who talked with him in his Philadelphia office left in a cheerful mood, but he told reporters that he had nothing to say at present. At the annual meeting in January, 1883, he at last revealed the sad news. In spite of his prophecy of April 21, only seven and a half millions had been received from the deferred bonds. Of his consols, he had been able to sell less than three-quarters of a million at 98, which was the lowest price he was willing to take for them. Of course, the whole trouble had been the McCalmonts' opposition, since, he said, he could have easily sold the entire issue at par a year earlier.

Nevertheless, he was ready to reorganize the company even without money. He had been able to place the last five millions of the general mortgage bonds at par by raising the interest to 7 per cent, and this would almost pay off the floating debt. The five millions in scrip, issued in 1877 as advance interest for five years on the general mortgage and junior obligations, which had become due the previous July 1, would be paid by a new issue of scrip, if the holders would accept 20 per cent less than their original value.

Fixed charges would be reduced by the issue of 160 millions of his 5 per cent consols. Seven millions of Class A was to be issued in exchange for junior securities which would be readily surrendered; the rest of the eighty millions would be sold whenever market conditions were satisfactory to retire the various mortgage loans. Seventy millions of the Class B loan would similarly be held in reserve to retire the guaranteed stocks and bonds of the leased roads. The remaining ten millions would be issued at once in exchange for the Reading debentures and the canal bonds, by now nearly worthless, and the stock of the canal companies would be converted into Reading common stock.

Even though this plan would reduce fixed charges only slightly for the present, it would still place the company on a sound footing, he asserted. The Reading in 1882 had earned almost a million dollars above its fixed charges for the year—this figure had been reached by charging some two millions in construction against capital instead of income—and, with the country growing steadily more prosperous, there was no longer any need to fear that fixed charges could not be earned. On this advice the court ended the receivership on February 14, 1883.

In spite of the Reading's precarious financial stability, Gowen had meanwhile been going ahead with his plans to expand his railroad empire with the aid of his two allies, the Garretts' Baltimore and Ohio

and Vanderbilt's New York Central. The B. & O. was to build a new road between Baltimore and Philadelphia, which would give it an independent entry into New York over the Reading-Jersey Central combination. The Reading in turn was to construct a line south from Harrisburg through Gettysburg to connect with the B. & O. at Harpers Ferry. Vanderbilt had promised to back General George Magee in the construction of a new road, the Jersey Shore and Pine Creek, down Pennsylvania's "Grand Canyon" to link the New York Central with the Reading west of Williamsport. This line, replacing the projected road to Port Allegany, would provide the long-sought friendly connection with the Lake ports for Schuylkill anthracite and also give the Reading a share in the grain traffic from the West. As part of the contract, Gowen built the Shamokin, Sunbury, and Lewisburg Railroad to shorten the Catawissa's round-about line to Tamaqua by sixty miles.

All of these schemes were aimed at the Pennsylvania, which was getting in its counter-punches. In 1881 it had started to parallel the Reading's main line with a road up the Schuylkill Valley to Norristown and Phoenixville. Since this highly-traveled section was one of his company's most valuable monopolies, Gowen had done his best to interfere. When the Pennsy bought a plot in Conshohocken for a station near the Reading's, his men promptly built a siding across the street to cut off the new road. The town council forbade the laying of these tracks, but another siding went down the next day. The following morning the council read its resolutions to the superintendent by the light of locomotive headlights, but the laborers kept on working, almost shoulder to shoulder with the surveyors laying out the Pennsylvania's new road.⁵ These proceedings, of course, served as little purpose as they did when practiced by other companies. The Pennsylvania laid its tracks to Phoenixville and prepared to take them on up the valley to Pottsville, if Gowen continued to be disagreeable.

Fearing a blow in a more vulnerable spot, Gowen turned his attention to protecting his Achilles' heel. This was the Jersey Central, which furnished the Reading three different routes to New York: from Williamsport, by way of Tamaqua; from Harrisburg, by way of Allentown; and from Philadelphia, by way of Bound Brook. The company's two largest stockholders were Edward C. Knight, president of the American Sugar Refining Company, and Edward W. Clark, president of the Singer Sewing Machine Company, both of whom were on friendly terms with Gowen. They had been forced off the board of directors, however, by

⁵ *Philadelphia Times*, Oct. 15, 1881.

Jay Gould shortly after the receivers had been appointed in 1877, and no stockholders' meeting had since been held. Gowen now determined to restore this friendly interest to the management. Using the company's funds, as soon as he regained the presidency, he bought fifty thousand Jersey Central shares on margin, enough to insure control, along with the Knight and Clark holdings.

Gould fought back by pushing a bill through the New Jersey legislature, permitting him to issue more stock. Gowen applied for an injunction to prevent this, and the Governor vetoed the bill. Gould countered with another act intended to disfranchise the stock held by Gowen, who declared the courts would protect him. The *Philadelphia Times* observed:

The two chief contestants are pretty evenly matched in the way of personal prowess, although in method they are as dissimilar as Phil Sheridan and Sitting Bull. The one is a magnetic, dashing commander, who, cap in hand, at the head of his compact lines, carries everything before him by the very impetuosity and enthusiasm of his onslaught. The other is a wily savage, who lurks in ambushes and scalps alike friend and foe. . . . Mr. Gowen wages legitimate warfare, depending on the power of numbers and the fidelity of his followers. Mr. Gould relies upon willing legislatures and pliant judges.*

Defeated in the legislature, Gould's directors stalled for time by refusing to call a stockholders' meeting. Gowen got a court order, lost it, got another for an election on June 23, 1882. His foiled opponent thereupon abandoned the field, and Gowen's management was unanimously chosen. He was not yet in actual control, however, since the receivers were still operating the company.

As soon as he had his own line out of bankruptcy, therefore, he turned his attention to the Jersey Central. The Central had a floating debt of two millions which had to be paid before the receivership could be discharged. The Reading did not have the cash to satisfy this obligation, but that was only a minor obstacle to Gowen. He posted three millions in Reading bonds as security for the loan, ended the receivership, and leased the road for an annual rent of five to six million dollars, including a guaranteed 6 per cent dividend to the stockholders. Not having received a dividend since 1876, the shareholders enthusiastically voted to accept the lease. Gowen said he was perfectly confident he could effect enough economies to pay the rent, even though the receivers had never come within a million dollars of earning that much.

* Feb. 20, 1882.

One of his first acts was to cancel a contract with the Pennsylvania which permitted that road to reach the seaside resorts of northern New Jersey. Having reason to fear that Gowen might also start a traffic war over the Philadelphia-New York route, the Pennsy decided to try to block the lease. Although it was difficult to find a dissatisfied stockholder to bring suit, they discovered that two thousand Central shares were owned by William B. Dinsmore, president of the Adams Express, who had never forgiven Gowen for ousting his company from the Reading's lines in 1872. Dinsmore was persuaded to ask that the lease be voided on the grounds that the Reading was insolvent and unable to pay the rent.

The suit was shrewdly timed, being filed two days before Gowen was ready to resume payment on all the company's obligations, which would require all the available cash. Nevertheless, he scraped together a quarter of a million to post as bond for fulfilling the provisions of the lease, and the injunction was denied. Dinsmore's attorneys thereupon shifted their position and asked for another injunction on the grounds that their client's interest as a shareholder had been damaged by the lease.⁷

The resulting suit brought out an imposing array of legal talent. Gowen was joined by his brother, James, former Secretary of the Navy George M. Robeson, and ex-Chancellor Williamson, of New Jersey. Senator Roscoe Conkling led the opposition. Two such dramatic artists as Gowen and Conkling rarely clashed in a courtroom. One observer wrote that if they "could be induced to give a matinee in the Academy of Music, they could draw a bigger crowd than Sheridan's *Lear* or *Louis XI*." At one stage of the proceedings, Conkling strutted in in all his splendor half an hour late. Everyone turned to look but Gowen, who stubbornly kept his head buried in a book. In the final argument before the United States Circuit Court at Trenton, Gowen held the attention of a crowded courtroom for four hours. His eyes flashed as he denounced Pennsylvania Railroad officials for selling Jersey Central stock short after they knew the suit was to be filed. His argument was successful enough to persuade the court to deny the preliminary injunction in December, 1883, although the litigation dragged on for another year before the Dinsmore suit was finally dismissed.

Gowen's war against the Pennsylvania and the Standard Oil Company had meanwhile been carried into the halls of the legislature. The Democrats, having gained control of the State for the first time since the Civil War, were introducing a mild program of reform. A bill was pro-

⁷ *Arguments . . . in The Case of Dinsmore v. The Railroad Co. et al.* (Philadelphia, 1884), p. 107.

posed in the session of 1883 by Representative Hulings, of Venango County, to prohibit unjust discrimination by railroads. Gowen was one of those who appeared to give his opinion of the bill. For him the Railroad Committee had to move into the Hall of the House of Representatives, and that was so crowded that not even standing room was left.

Criticizing the Hulings bill, first as a railway president, he said that some of its provisions were too severe, and then, as a reformer, he declared that others were too weak. As a substitute he introduced a bill which he had drawn up himself, adding to Hulings' triple damage clause his favorite remedy—granting a shipper the right to obtain a peremptory mandamus to compel a railroad to furnish him transportation facilities.

Such a bill was needed to end unjust discrimination, he said. The Pennsylvania Railroad, for example, had special rates on oil and coal, the State's two most important products, which gave a favored few a monopoly in shipping these fuels. It had placed the entire petroleum industry in the grasp of the Standard Oil Company with the result that the people of the oil region had built the Tidewater Pipe Line to escape. Now the Pennsylvania was discriminating against the independent Chester Oil Company. It had offered the refiner a rate of fifty cents a barrel to Washington, the same freight they charged the Standard from Pittsburgh to Washington, which was over three times as far.

Reading a letter from the Pennsylvania to the Chester firm, Gowen continued his indictment:

The Chester Oil Company applied for a rate on oil from Chester to Lock Haven, in this State. They proposed to send their own tank cars to carry the oil, and not to require the cars of the Pennsylvania Railroad. . . . This letter is a choice morsel of railway literature. They will carry the oil. Oh, yes, they will make a proper charge for it, which is only three or four times higher than they charge the Standard Oil Company, but they will not permit the empty cars to come over the road in order to get the oil—*we will make no rates for the empty cars*. They must be taken on a wheelbarrow or by canal or by balloon.⁸

He took up another charge against the Standard Oil Company. "A man named Patterson," he said, had recently brought suit as a shareholder against the Tidewater Pipe Line. Under cross-examination, Gowen declared, Patterson had admitted that the Standard had paid him \$7,500 to suppress testimony against it in a suit filed by the Commonwealth. The Attorney General should institute criminal proceedings

⁸ Gowen, *Argument . . . Before the Committee on Railroads . . . Harrisburg, February 13th, 1883* (Philadelphia, 1883), p. 18.

against the men who had given this bribe, and Gowen was prepared to furnish the testimony.

The Pennsylvania, he went on, was also granting special rates on anthracite to the Lake ports to three firms, who were thus able to keep out all competition. It had done the same thing in the bituminous region. Of course, he was not appearing as an enemy of that railroad. He did not know, he said ironically, of any one who had done more for the Reading than the Pennsylvania. It had given his company a share in the oil trade by its opposition. Special rates to one Philadelphia sugar refiner had given the Reading the business of the others. It had increased the Reading's bituminous traffic. It had been responsible for his company's connection with Buffalo over the new Jersey Shore and Pine Creek road and for the line shortly to be built between Harrisburg and Pittsburgh.

His speech hit the legislature with the impact of a Gatling gun, as one reporter wrote. Representative Hulings agreed to accept Gowen's bill in place of his own, and the committee decided to approve it. The Democratic governor, Robert Pattison, responded to his bribery charge by asking the legislature to investigate the Standard Oil Company. Unfortunately, the enthusiasm kindled in the assembly soon died away, and when the resolution calling for an investigation came up for a vote three months later the best the foes of the Standard could get was 'a harmless proposal to examine the corporation's tax policy.

The alleged bribe had grown out of an attempt by Pennsylvania's Auditor General to collect taxes from the Standard. For several years the company had ignored him entirely; at last it replied disdainfully that it was not subject to Pennsylvania taxes. When the Auditor General insisted on reports, the Standard's counsel sent excuses instead. The State officer thereupon estimated the taxes due, and the Attorney General brought suit to collect them.

Knowing nothing of the oil business, Attorney General Henry W. Palmer retained as an assistant Elisha G. Patterson, a lifelong foe of the Standard Oil Company. As soon as the case was taken to the courts, the Standard changed its attitude. A representative of the trust went to Harrisburg and volunteered a statement of facts, which the Attorney General accepted as the basis for his case. Patterson objected strenuously to this arrangement, and sent his counsel to notify John D. Archbold, of the Standard, that he would not adhere to the bargain and proposed to attack. Archbold suggested to the lawyer that it would be better for Patterson to withdraw and hinted that he might be able to make it worth his while to abandon the fight.

When the Attorney General failed to go behind the Standard's statement of the facts and won a judgment of only thirty-three thousand dollars instead of the three million claimed by the Auditor General, Patterson pleaded with him to demand a new trial and call witnesses. Shortly after his third attempt to prevail upon Palmer to reopen the case had failed, he was visited by Archbold, who said that his associates wanted peace. The discouraged Patterson admitted that he would be willing to quit if he would not lose money by it. The Standard representative therefore offered him twenty thousand dollars, about as much as he could have hoped to receive from the State, and Patterson accepted.

Gowen had not been concerned in this episode until Patterson used the money to pay up the stock in the Tidewater for which he had subscribed three years before, and brought suit in Crawford County to force the company into receivership. Acting as counsel for the defense, Gowen in cross-examination elicited from him the source of his funds. Pouncing upon this apparent bribery with all his moral fervor, he tossed it before the legislature as another instance of the corrupt practices of certain corporations.

Although the investigation had been limited to the Standard's tax policy, Gowen succeeded in bringing up the bribery charge. The discovery of crime, however, was the duty of a grand jury, and the committee would have been powerless to act, even if it had revealed the existence of a felony. The joint committee, moreover, hampered its own investigation by remaining judicially aloof from the dispute and throwing on Gowen the entire burden of proving his charges.

Nevertheless, he managed to make out a fairly good case. He pointed out that Archbold had begun negotiations on December 26, 1881, two months before court proceedings opened, by making an offer to Patterson's attorney. Patterson had agreed to accept the money on April 11, 1882, a week after the lower court had filed its opinion, it was true, but long before the suit was finally decided. It had been admitted that he had been paid to cease his attacks on the Standard, and the only attack he had been making had been the tax proceedings.⁹

The defense, on the other hand, maintained that no evidence had been suppressed and that Patterson's withdrawal had had no effect on the outcome of the suit. The statements of both sides were correct but confusing, since they did not mention what seems to have been the real truth. After the Attorney General had failed so disastrously in his first

⁹ Gowen, *Argument . . . Before a Committee . . . Appointed to Inquire into the Legal Relations of the Standard Oil Company to the State . . .* (Philadelphia, 1884), pp. 18-23.

court trial, Patterson had considered reopening the suit with his own counsel in order to increase his fees, which were contingent upon the size of the judgment obtained. The prospects of his winning such a case were real enough to make it worth twenty thousand dollars to the Standard for him to drop the idea, and remote enough that he had been willing to accept the money. Since there was some question whether Patterson had been settling a suit out of court as an individual or as a State employee had accepted a bribe to drop a prosecution, Gowen glossed over this incident by presuming that Patterson had been paid to suppress evidence, which was not true, while opposing counsel insisted that he had been paid to stop annoying the Standard, which was ridiculous.

After hundreds of pages of testimony had been taken, the committee announced the conclusion which they had intended to reach before the investigation began. The chairman reported to Governor Pattison that no evidence had been suppressed and there had been no bribery. Gowen's insistent demand that Archbold be indicted was ignored. The Philadelphia *Times* commented on the report:

The public will still have its own opinion of a transaction in which the Standard Oil Company was willing to pay fifteen or twenty thousand dollars for what is now claimed to have been worth nothing to it after it was paid for. The Standard Oil Company has not been in the habit of paying such prices for nothing heretofore, and if it did so in this case it must have been awfully deceived by somebody.¹⁰

Despite his high-minded crusade against monopoly, Gowen had meanwhile signed an armistice with the foe. Although the Tidewater had been able to maintain itself in the long struggle with the Standard, it was feeling the effects of the contest. The receivership suit brought by Patterson had been only one incident in the war. Some of the stockholders had gone over to the side of the Standard and attempted to oust the management. They had tried to block a bond issue for the extension of the lines. When they seized control at the annual meeting in January, 1883, by holding a rump election, Gowen went to Meadville and persuaded the court to void the proceedings.

The enactment of a free pipe-line bill by the Pennsylvania legislature in 1883 created the possibility of further competition. With this in mind, both sides agreed to compromise that fall. The Tidewater was allotted 11.5 per cent of the pipe-line business. Rates were to be maintained, and the Tidewater was to continue selling to the independent

¹⁰ Dec. 10, 1884.

refiners. While the Philadelphia *Press* assailed the compact as an alliance with unscrupulous monopoly, the rival *Times* took the opposite view, saying:

... those who know Mr. Gowen know that instead of surrendering to the Standard Oil Company he has been powerful enough to bring that corporation to terms and compel it to make rates fair to all concerned. Mr. Gowen is at Rye Beach and has been for some days, but in this city it is known that his action in the pipe line matter has been for the best interests of the companies he represents.¹¹

In the midst of these legal battles Gowen had brought one of his most cherished dreams closer to realization. Even since 1880 he had been talking about a road between Harrisburg and Pittsburgh, which would make the Reading part of a new trunk line. Had it not been for his own company's financial instability, he would doubtless have built it himself. As it was, he had had to wait until other capitalists could be interested.

There were many potential investors among Pittsburgh businessmen. One was Dr. David Hostetter, manufacturer of Hostetter's Bitters, a tonic allegedly composed of whiskey and wormwood. With his patent medicine profits Hostetter had invaded the oil business in 1874 and fought an unsuccessful battle with the Pennsylvania Railroad and the Standard Oil Company in an attempt to build a pipe line. Other prospective sponsors were Andrew Carnegie and his fellow ironmen, who wanted to provide the Pennsylvania with a competitor in order to bring about lower freight rates.

None of the Pittsburgh group, however, had been willing to provide Gowen with the necessary capital to build his projected road, possibly, as he claimed, because they feared the Pennsylvania would oust him from the Reading, or, more probably, because his company was in the hands of the receivers. Gowen needed some substantial backing for his new line, and now he got it. Although the arguments he had used in talking Vanderbilt into investing in the Reading in 1881 went unrecorded, he must have held out the promising prospects of an invasion of Pennsylvania. The Jersey Shore and Pine Creek connection with the Reading had already brought the New York Central into eastern Pennsylvania, and Vanderbilt now turned his attention to the west.

By taking over the Pittsburgh and Lake Erie from the Harmony Society, he acquired a road from his main line at Youngstown, Ohio, into Pittsburgh, and the construction of the Pittsburgh, McKeesport,

¹¹ Aug. 22, 1883.

and Youghiogheny carried him to the Monongahela Valley. About this time his son-in-law, Hamilton McKown Twombly, turned up with a charter for the South Pennsylvania Railroad Company to build a line which would connect the Youghiogheny with the Reading at Harrisburg. A year earlier, in 1881, Twombly had agreed to advance money to pay for the surveys for this road, which had had a phantom existence ever since 1855. When the Vanderbilt son-in-law had sunk a quarter of a million into this ghost railroad, its backers in the fall of 1882 offered him three million in stock in exchange for his investment if he could raise enough money to complete its construction. Going to the obvious source of funds, Twombly asked his father-in-law to help him form a syndicate. Hesitant to risk his money in such an expensive undertaking, Vanderbilt was non-committal at first, but a few days later agreed to subscribe five million dollars if he could persuade Robert H. Sayre, of the Lehigh Valley, a good practical railroad man, to head the new company.

When Sayre's consent was obtained, Vanderbilt and Twombly set out to raise the additional ten millions which, it was estimated, would be required to build the road. The return of prosperity was filling the pockets of prospective investors with surplus cash, and they seemed eager to pour their funds into Vanderbilt's project. Most of the money came from Pittsburgh. Hostetter put down his name for two millions, and Carnegie, with his partner, Henry Clay Frick, promised a million and a half. Lesser sums were pledged by B. F. Jones and Henry W. Oliver, steel-makers, Ralph Baggaley, publisher of the *Chronicle*, and Christopher Magee, the politician.

New Yorkers were interested in the project, including Darius Ogden Mills, William C. Whitney, and Abram S. Hewitt. Standard Oil money was represented by Oliver H. Payne and the Rockefellers. Gowen opened a subscription book in the Reading offices, put himself down for \$100,000, and asked the Managers to subscribe. E. C. Knight promised \$200,000 without even reading the contract, but another director, Henry Lewis, required some strong urging from Gowen before he agreed to take \$50,000. I. V. Williamson and J. B. Lippincott also subscribed.

Gowen's prominence in the South Penn plans was indicated by his membership on the syndicate's committee of five, along with Hostetter, Vanderbilt, Twombly, and Whitney. The syndicate organized the American Construction Company to build the road. For its work it was to receive from the South Penn twenty millions in bonds and the same amount in stock. The survey called for the excavation of nine tunnels

with a total length of about seven miles. The route followed approximately the line of the present-day Pennsylvania Turnpike, which runs through six of the South Penn tunnels.

Although Gowen's enthusiasm had led him to predict heavy traffic for the South Penn from Pittsburgh iron furnaces, the southern soft coal fields, and the Cumberland Valley ore mines, the prospects of the new road were actually poor. Most of the lines passed through sparsely-settled mountainous country, and the uneven grades promised high operating expense. Even if it had small chance for profit, however, it did present a substantial threat to the Pennsylvania in the competition for traffic from Pittsburgh and the West. Whether or not it was ever completed, Vanderbilt knew that the South Penn would be a useful bargaining point in any future negotiations with the Pennsylvania.

Some thought that Vanderbilt had no intention of starting work at all. A "financial authority" told a *Philadelphia Times* correspondent:

They have a scheme and are waving it like a red flag before the Pennsylvania Railroad, but not a contract has been let and I don't believe that you will see any railroad through Southern Pennsylvania for ten or fifteen years to come.¹²

The rumor was partly inaccurate, however. Contracts were let. Gangs of laborers blasted long tunnels through the Allegheny mountains and built stones into piers in the Susquehanna to carry the road into Harrisburg. Vanderbilt attacked the Pennsylvania on the flank by backing another line, the Beech Creek, into the northern soft coal fields. His associate, General George J. Magee, began construction of the road from the terminus of his Jersey Shore and Pine Creek up the Beech Creek Valley into Clearfield and Philipsburg, a route which was much superior to the Pennsylvania's roundabout road from Clearfield down to Tyrone, then up the Bald Eagle Valley to Lock Haven. Gowen joined in backing the Beech Creek also, since it offered the Reading a friendly connection with the bituminous mines.

The Pennsylvania fought back vigorously. It cut its freight rates in half to compete with the Beech Creek. Most important, it was reported to be buying up the bonds of the near-bankrupt West Shore, which had just completed a line paralleling the New York Central all the way from Weehawken to Buffalo. With the war brought this close to home, Vanderbilt began to consider the desirability of peace.

¹² Sept. 2, 1883.

CHAPTER XVIII

END OF A FRIENDSHIP

Just when all his ambitions seemed near realization, Gowen was confronted with his oft-repeated promise that he would resign as soon as he had gotten the company out of the hands of the receivers. Few of the shareholders either expected or desired his retirement; in fact, a petition was circulated in May, 1883, asking him to remain.

Nevertheless, Gowen adhered strictly to his word. On November 22 he sent the stockholders a statement, announcing that he would not be a candidate for the presidency at the next election and recommending George deB. Keim as his successor. The news was the topic of the day on Philadelphia's Third Street. Since Keim had always unquestioningly obeyed Gowen's orders, some brokers thought the change meant no more than in times past when Gowen had gone to Europe and left Keim in charge. One former Bond supporter suggested that the retiring president was getting out before the crash. When this report was relayed to another broker, he jumped out of his chair and paced the floor with flashing eyes, declaring:

A man who would attribute such a motive to Mr. Gowen is a hound. He is not fit to associate with honorable men. Gowen fought and won his great fight with the whole world against him, and now to say that he is going to retire because he is afraid of something is the expression of a low-lived rascal.¹

It was true that Gowen did not expect a crash. His last annual report showed net earnings of over fifteen millions in 1883, enough, he pointed out, to pay all fixed charges and 3 per cent on the common stock. In 1884 business should be even better. Of course, there was the matter of some twelve millions of floating debt, including money borrowed to buy a number of odd lots of coal lands to keep them out of the hands of the Pennsylvania, which was advancing up the Schuylkill Valley, but the company owned securities worth far more than that. Although these holdings could not be sold, since the Reading was guaranteeing the dividends on them, they could be pledged for a new collateral trust loan, which would pay off the entire floating debt.

¹ Philadelphia *Times*, Nov. 26, 1883.

After he had given his report at the January, 1884, meeting, memorials from leading businessmen of New York and Philadelphia and from seventy-eight members of the legislature, asking him to remain in office, were presented. He did not allow any vote to be taken on these petitions, but permitted them to go on the record as evidence that he was not being forced out. Then he confidently turned the company over to George Keim.

A few days before this meeting Vanderbilt had sent a representative, probably Twombly, to visit Gowen, urging him to change his mind and retain the presidency. The agent said for Vanderbilt, "You know I have come into Pennsylvania, and I have come here very much on your account. I am going to spend over twenty million dollars in this State. We have to contend with the Pennsylvania Railroad, and I do not like the idea of your retiring."

Gowen replied that he must keep his pledge, but that there was no need for alarm. "I am putting," he explained, "my own personal friend in my place, whom I have known for twenty-five years; I do not propose to desert the company. I propose to stand by the company and do anything required of me, willingly and gladly. Mr. Vanderbilt has left his own company, and put Mr. Rutter in his place. Does not William H. Vanderbilt control the New York Central Railroad Company today whether he is president or not? Do you not suppose that on account of the relations existing between Mr. Keim and myself that I can control the Reading just as well? I will do anything to aid the enterprise; and will always be ready to defend it."²

The first indication that his judgment had been mistaken came when the new management made no attempt to continue his connection with the company in any capacity. Within a month he realized that Keim intended to conduct the business in his own way. He asked the new president, "Do you think I would have put you here if I had known you were going to do this?" He was answered, "Mr. Gowen, you should remember that you were not a very successful president of this company, and, now other people have got hold of it, we are responsible and you are not."

Restraining his temper, Gowen tried again to offer his services to the company. He called on Keim and told him: "I left this company intending to open an office to practice law. I intended first to go to Europe and rest. Now, I will give all that up; I will give up everything I have been striving for; I will come back into the service of the Com-

² Gowen's version of the conversation in *Address . . . at the Academy of Music, Philadelphia, Friday evening, December 11th, 1885*, p. 21.

pany and I will do this; I will bring you money to pay your floating debt; I will sell in London the bonds of the Central Railroad Company of New Jersey and pay its floating debt, and remove the control of the chancellor from the property; I will secure the construction of the East Side Railroad [to furnish the Philadelphia connection between the Reading and the line the B. & O. was building to that city] with the credit of the Baltimore and Ohio Railroad Company, without costing the Reading Railroad Company one cent, because Mr. John W. Garrett had always told me that if it were necessary to use the credit of his Company to get through Philadelphia we could have it to the amount required to construct the line. I will negotiate for you the bonds of the Narrow Gauge Line to Atlantic City, so that the change of the gauge and purchase of that road can be made without taking a cent out of the treasury of the Reading Railroad Company.

"In addition to these financial matters," he continued, "I will take up the question of changing the working of the Central Railroad of New Jersey, so as to produce the results, that we knew by some changes could be produced. Now I will do this; all I ask you to do is that as I will not go to the Bar to make money you shall give, so long as I am engaged at this work, the same salary I received as president."⁸

Although Keim must have been somewhat taken aback by this proposal that Gowen be virtually restored to office and empowered to carry out all of his old schemes as well as some new ones, he agreed to take it up with the Board of Managers. The board showed no haste in acting, and at length gave Gowen a general retainer as counsel, which meant that he could offer advice but make no decisions.

One reason that the management was treating Gowen in such a distant fashion was it was trying to negotiate a loan from Drexel and Company, which the conservative financiers would inevitably have turned down if they had not been convinced that he no longer had any control over the company. A loan was desperately needed, because the mines, still operating under the informal suspension agreement of 1880, had worked only half-time all through the winter of 1883-84. As spring arrived, business still continued slack. Gowen told Keim that he should cut prices in order to induce customers to buy early, but he was ignored. A little later he entered the company offices and found several of the officers in conference with Keim on the subject. When he started to give his views, everyone walked out on him.

About the middle of May he learned just how far he had been removed from company affairs. A New York friend brought him the

⁸ *Ibid.*, pp. 22-23.

fourth-hand news that receivers were about to be appointed for the Reading. Bright and early the next morning Gowen descended on Keim. Calling him into a private room, he said: "When I gave this property into your charge, I put my character into your keeping. Do you tell me that you are going to throw both away without even letting me know?" Magnanimously overlooking Keim's errors, he demanded a look at the company records. Within an hour he had developed an idea for putting the company on a sounder footing. He left to carry it out, but, when he returned, Keim refused to accept his plan.

The Reading secured some temporary relief by arranging with Vanderbilt to take over the loans for which the fifty thousand shares of Jersey Central had been posted as security. By the end of May the company was paying for materials and wages with scrip once more. None of these measures, however, could provide enough money to take care of the two millions in interest due on June 1. Suspending payments, the company arranged another friendly petition for bankruptcy. Lewis and Caldwell were restored to the receivership they had vacated little more than a year before, with Keim occupying Gowen's old post.

Angry at the way he was being treated, Gowen sullenly retreated to his Mount Airy home. Vanderbilt, summering at Saratoga as usual, attempted to lure the sulking Achilles out of his tent. When Gowen arrived at the New York State resort early in August, the New York Central magnate told him: "Gowen, I hear that they are not treating you well at the office, and that you are angry and you are not going to help them. Now it was as much for your sake as for anything else that I bought my stock. I can afford to lose it, but I cannot afford to be bothered and annoyed about it, and unless you will put your shoulder to the wheel and help the company out of its trouble, I will not have anything more to do with it."

Gowen replied: "Mr. Vanderbilt, that is just what I have been trying to do. Anything I can do to help the company I will do if I am given the opportunity." He and Twombly then had a conference with Keim, at which Gowen complained of the cavalier fashion in which he had been treated and of the mistakes the management had made. Although Keim refused to admit the truth of all Gowen's charges, he said that he was willing to cooperate.

Gowen then declared that the proper course was to reorganize the company and end the receivership. "The matter can be accomplished in October or November," he said. "You must wait till then to demonstrate your power to earn money. If you show by your August, September, and October business that you earn enough this year to pay

the interest on your general mortgage, on your income mortgage, and on your floating debt, the reorganization of the company is easy." He then agreed to undertake the task of drawing up the plan, provided that the mines would work full time the rest of the year. Assuring Vanderbilt that everything was settled, he left for Bar Harbor.⁴

Vanderbilt told Keim and the other directors who were at Saratoga that they could not afford to ignore Gowen, and a week later a letter arrived in Bar Harbor, authorizing Gowen to undertake the reorganization plan. Unfortunately, the same letter also contained the news that mining would be stopped one week in September. This was a blow to Gowen, for he estimated that the profits lost by this suspension would have paid half the interest on the general mortgage.

He came back to Philadelphia a sorrowful man, by his own account. When he saw Keim, almost the first thing he was told was, "They want us to stop another week in October." "Now," said Gowen, "for God's sake, don't do that. You are full of orders, and the New York companies have their cars full of coal which they cannot empty, and you are asked to stop so that they can ship twice as much coal in three weeks as they otherwise can in five." "What can I do?" Keim asked. "They say they will break prices."

"Break prices?" replied Gowen. "They want to make money as well as you do. They hope to empty their cars on your customers. They will never break prices, and if they do it cannot hurt you as much as a week's idleness. Write to them that you cannot stop now, but that you will stop if the Pennsylvania Railroad Company will stop. They will probably call a meeting. Perhaps by the time the meeting is held the trade will be better, or at the worst, if the Pennsylvania agrees to stop mining, you might reconsider the question."

Cheered by being consulted about the company's business for once, Gowen went home assuming that Keim would at least consider his advice. Next morning at the breakfast table he read in the morning papers that the Reading had agreed to suspend mining for one week in October. According to his calculations, that meant a whole year's interest on the general mortgage was gone. Gowen angrily notified Vanderbilt that he would have nothing to do with the reorganization unless he could have some control over the management.

When Twombly asked him to prepare a written statement of his views, he wrote a very long letter on October 9, sending a copy to Keim. Reviewing the past mistakes of the management, he demanded that he be appointed to the receivership left vacant by the death of

⁴ *Ibid.*, pp. 25-26.

Edwin M. Lewis and that he be elected to the Board of Managers. As he later said, "I knew perfectly well that if I once got in things would go my way. I had had experience of that kind before."⁸

Probably through the efforts of Vanderbilt, a compromise was worked out. Gowen was told that giving him the positions he demanded would offend Drexel and Company, and that it would not be wise for him to do anything to make more enemies for the Reading. Even his critics, he was assured, admitted that he knew more about the reorganization than anybody else. If he would take up the task again, he would be given complete control. As far as the management was concerned, he already had the receivers so frightened they would do anything he wanted.

Once more Gowen was coaxed into cooperation. For a retainer of five thousand dollars and a monthly salary of twenty-five hundred he agreed to draw up a reorganization plan. The company's affairs in the meantime had been going from bad to worse. The Jersey Central stock, which had been supported by the Reading's guaranteed dividend of six dollars a share, sagged in anticipation of the receivers' inability to make the payments. When the shares neared the fifty-dollar mark, Vanderbilt decided it was time to sell the fifty thousand he was holding for the Reading as security for a loan at about forty-five dollars a share. When some of this stock appeared in the Philadelphia market, reporters went to the Reading offices for confirmation of the story. They found there only amazed disbelief, but on their return a month later Keim failed to deny that Vanderbilt had sold the stock. The company lost a million dollars of its investment on the sale and in addition was bound to pay the dividends on the released shares.

Even after the loss of these securities, Gowen was able to work out a reorganization scheme, based on his favorite formula of borrowing money to pay the floating debt, which was now about sixteen million dollars. He proposed to issue a ten million loan, backed by the fifteen millions in securities still held by the Reading, and another ten million to be protected by the payments from a traffic contract with the Baltimore and Ohio. He also suggested a slight reduction in fixed charges by an agreement to reduce the Jersey Central dividends. Going beyond the bounds of his authorization, he included the advice to the management that it should withdraw from the coal combination.

Even before the plan was drawn up, he had taken the peculiar step of appealing to the stockholders for their proxies in its support. On the surface this move was intended to make sure that the share-owners

⁸ *Ibid.*, p. 28.

would back his reorganization scheme, although that was primarily the prerogative of the directors. He seems, however, to have had deeper purposes. All through the fall the loyal *Philadelphia Times* had been criticizing the incumbent management and suggesting that it be changed, and Gowen may have been indirectly responsible for these stories. With the proxies collected ostensibly in support of his reorganization plan, he could, if necessary, vote himself back into power.

Perhaps because of this move the management encouraged the formation of a creditors' committee to discuss reorganization, with Joseph S. Whelen as chairman and Wharton Barker, Philadelphia broker, as secretary. Asked to consult with this committee, Gowen restrained his anger at being partially displaced and met the members. Even when they refused to accept his idea of borrowing to pay the floating debt, he still controlled his temper.

Privately, however, he conferred with Twombly and said: "Now, Mr. Twombly, I think you should do one of two things: you should come to Philadelphia and say you come here as the representative of the largest shareholder, and that you desire to name a board and take charge of the company, with a view of extricating it from financial difficulty, and that you will take the responsibility of doing so upon your own shoulders. If you say that, I will vote every proxy I have for any board you may name, no matter who they may be, because I know that Mr. Vanderbilt never took charge of a company to wreck it, and has always interposed to save. Or, if you do not do that, then go back to New York, and let me look after the company, and I will become responsible for the result."

Since Gowen knew very well that Vanderbilt had no intention of assuming the management of the Reading, this was tantamount to asking his support for reelection to the presidency. Twombly, however, with as suave a tongue as Gowen himself, talked him out of the idea. He said that Gowen as president would be opposed by his enemies and blamed by them if he failed. He advised him to wait. If Keim saved the property, that was all he desired; if he did not, then there could be no objection to Gowen's intervention.⁶

Once more Gowen agreed to cooperate. He wrote to Barker, promising to support the Whelen committee. Probably through Twombly's intervention, he was authorized to represent the Reading in negotiations with other anthracite corporations for a new agreement. Under the system of periodic suspensions in effect since 1880, the company had been forced to keep all its collieries in operation. Gowen suc-

⁶ *Ibid.*, pp. 32-33.

ceeded in getting the Reading's rivals to accept another quota plan, which allowed the Coal and Iron Company to concentrate its production in its most efficient collieries, although the agreement was not observed faithfully.⁷

In further appeasement a committee of bond and stockholders was organized along the lines of an earlier suggestion by Gowen. His friend Twombly was named chairman, and John Wanamaker, the Philadelphia merchant, was also appointed at Vanderbilt's request. Gowen was reported to be "very much pleased" with the new committee. Still another committee was formed by H. W. Bartol to protect the general mortgage holders, and Gowen promised to cooperate with that also.

The Twombly committee agreed on a compromise slate of directors. Keim was to be retained, but Wanamaker and Robert H. Sayre were to be added to the board to represent Vanderbilt. Gowen promised to vote for this ticket, although the Philadelphia *Times* printed a rumor that Keim would shortly resign in favor of Sayre, perhaps reflecting Gowen's desire for the ousting of Keim.

Two days before the annual meeting in January, 1885, the Whelen committee announced its reorganization plan, which proposed to reduce fixed charges by about two and three-quarter millions. Jersey Central dividends were to be reduced to 3 per cent for three years, unless the railroad earned more; interest on the general mortgage was to be paid half in cash, half in non-interest-bearing scrip for three years; all junior securities were to be turned into 5 per cent income bonds, interest payable only when earned. This still left fixed charges half a million dollars above 1884 earnings, but it was expected that business in future years would be sufficient to cover them. At the meeting Gowen rose to speak for twenty-five minutes, finding fault with the proposed reorganization, primarily because it made no provision for the floating debt, and criticizing the management for its coal trade policy. When he had finished, however, he moved that the plan be adopted and referred to the Board of Managers.

Unfortunately, the new board proved to be no more disposed to consult with Gowen than had the old. On one occasion they did ask him for his advice on a matter connected with the Jersey Central. The meeting that day was held in Wharton Barker's office. Gowen took his seat with the board, but, as soon as the meeting began, he was asked to leave the room until the directors were ready for him.

⁷ *Labor Troubles in the Anthracite Regions of Pennsylvania, 1887-88* (House of Representatives, 50th Congress, 2nd Session, Report No. 4147), pp. 638-648.

After he had cooled his heels for a while in the outer office among the clerks, he was invited in to give his opinion and again asked to leave.

Despite the indifference of the management to his advice, he still continued to occupy a room in the Reading offices, and tried to protect the company by preventing the sale of its securities which were posted as collateral for the floating debt. Although the board might have objected to this interference, on February 11 they appointed him to act as general counsel in place of his brother James, who was seriously ill. Five days later James died, and other lawyers took up the legal business of the company.

On March 24, when a suit over the Jersey Central lease, which Gowen considered so vital, was coming up, he wrote to the board to ask whether they wished him to continue as counsel. If so, he said that he would, on condition that he could have complete control over the Jersey Central case, and that he would be authorized to argue for continued payment of the rent by the receivers. Nine days later he was informed that the board wished him to act as counsel, but in conjunction with the general solicitor and only for the time being.*

With his demand for absolute authority rejected, Gowen angrily stalked out of the Reading offices, never to return. He made one more effort to protect the company by criticizing the latest reorganization plan. This had been prepared by the Whelen and Bartol committees working together and was to be approved by a new group of reorganization trustees. It revived Gowen's scheme for a twenty million loan to pay off the floating debt on a new basis. Ten million was to be secured by collateral, and a second ten million was to be raised by assessment on the shareholders, who were to receive bonds in return. Gowen objected to this latter device as illegal and proposed that the whole twenty millions should be raised from security owners by voluntary subscriptions. With that parting shot he sailed for Europe in May for a five months' vacation.

It was an unfortunate time to leave the country, for his good friend Vanderbilt was about to come under the influence of an even more potent persuader, a then unknown New York banker named J. Pierpont Morgan, who was shortly to be identified for Philadelphia newspaper readers as a partner of A. J. Drexel. When Morgan returned from Europe in June, 1885, he noted the effect the war with the Pennsylvania was having on his New York Central shares, and,

*Gowen, *Address* . . . December 11th, 1885, p. 36.

as he later explained, "I became satisfied that it was necessary something should be done with a view of creating harmony among the trunk lines."⁹

The creation of harmony between the Pennsylvania and the New York Central had already been under consideration by officers of the respective railroads for almost a year. The falling off in business in the spring of 1884 which had sent the Reading back into bankruptcy had considerably dimmed Vanderbilt's enthusiasm for his fight with the Pennsylvania. The precarious situation of the Reading endangered the eastern connection of the South Penn; the tightness of the money market made it more difficult for the members of the syndicate to meet their monthly calls for payment on the subscription. After the first four months these calls were lowered from 5 to 2 per cent of their subscription, and by the summer of 1885 only 38 per cent of the total had been paid in.

About the same time that Vanderbilt was attempting to conciliate Gowen at Saratoga in August, 1884, he was also sounding out George Roberts, president of the Pennsylvania, on possible peace terms. Vanderbilt said that he was willing to sell out all his investments in the State of Pennsylvania to his rival, or at least turn over their management to the Pennsy. Roberts agreed that the matter was very well worth consideration, but nothing definite was decided. Several months later Twombly also discussed the question with Roberts without coming to any conclusion.

In February, 1885, Frank Thomson, vice-president of the Pennsylvania, asked General George Magee to resume the negotiations. Magee conferred with Vanderbilt and Twombly, and a month later received a definite offer from Thomson. The Pennsylvania would guarantee 4 per cent on the Beech Creek bonds in return for half the stock of that company, and for half the South Penn stock would pay the syndicate \$75,000 to \$90,000 a year. Vanderbilt was satisfied with the price of the Beech Creek, but demanded 3 per cent interest on the South Penn investment, which would have been about \$150,000. When the Pennsylvania refused to increase its offer, Vanderbilt considered the matter closed.

That was the situation when Morgan returned to New York in June. Determined to restore peace and profits to the railroad busi-

⁹ *Appeals of the Pennsylvania Company, the Northern Central Railway Company, The Bedford and Bridgeport Railroad Company, and the Pennsylvania Railroad Company, From the Decrees Entered by the Court of Common Pleas, of Dauphin County . . .* (Pennsylvania Supreme Court, Middle District, Paper Book, 1885), p. 541.

ness, he talked to New York Central officials, who were anxious to have Vanderbilt give up his personal war with the Pennsylvania. Meeting Frank Thomson in New York a little later, Morgan asked: "What can be done to bring about a settlement between those two companies, so that there shall be cordial feeling? It seems to me that there are two main sores in the situation; one is the West Shore, so far as regards the New York Central, and the other is the South Penn, so far as regards the Pennsylvania. I think from my conference with the officers of the New York Central road, that they are prepared to open negotiations with the West Shore, to secure control of the West Shore, if the Pennsylvania is prepared to do its share in securing for itself—in taking out or insisting on taking out—the South Penn from the railroad situation."¹⁰

Thomson replied that he saw no reason why the Pennsylvania should take Vanderbilt's worthless investment in the South Penn off his hands, but advised Morgan to see President Roberts. The financier then talked to Chauncey Depew, who had become head of the New York Central on the death of President Rutter a few months before. Depew told him to do everything he could to get control of the West Shore. As for the South Penn, he said:

You go on to Philadelphia and see Mr. Roberts, and if there is any reasonable prospect that Mr. Roberts will entertain a proposition of that kind, we will use all our influence to work; in fact we are perfectly satisfied that we can bring influences to bear on Mr. Vanderbilt and his associates or such sufficient number of them, as will secure the majority or more of the South Penn subscriptions.¹¹

Learning from Twombly the price Vanderbilt wanted for his South Penn holdings, Morgan on July 7 conferred with Roberts and Thomson in Philadelphia. Roberts enthusiastically accepted the idea of the New York Central's taking over the near-bankrupt West Shore, but thought Morgan's demands of 3 per cent interest on the South Penn investment too high. Asked about the Beech Creek, Morgan replied: "I don't know much about that; General Magee manages that, and I suppose he will turn the management of that property over in pretty much the line he discussed with you at a previous meeting."¹²

¹⁰ *Ibid.*, p. 542 (Morgan's testimony).

¹¹ *Ibid.*, p. 543 (Morgan's testimony).

¹² *Ibid.*, p. 163 (Roberts' testimony).

Three days later the two Pennsylvania officers met Morgan and Depew on the financier's yacht *Corsair*. While the boat sailed down to Sandy Hook, Roberts reluctantly agreed to meet Morgan's terms on the South Penn on condition that he receive all that road's securities, instead of only half the stock, as he had previously demanded. There was some doubt of the Pennsylvania's power to take over the South Penn, in view of the provision in the State constitution of 1873 prohibiting a railroad from acquiring control of a competing line. Morgan, however, declared that the clause could be readily evaded by having some other corporation buy out the South Penn, with the Pennsylvania guaranteeing the interest of whatever securities were offered.

Although rumors of these negotiations were already in the newspapers, none of the members of the syndicate, not even Vanderbilt, had yet received more than a hint about them. Twombly had already sent out a call for another 5 per cent installment on the subscriptions for July. Reading in the Philadelphia papers that Vanderbilt had definitely sold out the South Penn, E. C. Knight indignantly went to New York and asked Twombly what was going on. Although the *Corsair* was at that moment on its way to Sandy Hook, Twombly had not yet received any official notification of the negotiations. He therefore assured Knight that the other members of the syndicate were paying up, and that Vanderbilt would not sell out without consulting his partners, even if he were offered twenty-five million dollars.

Almost immediately afterwards Morgan broke the news to Twombly. Knowing that his father-in-law would be willing to accept the proposed terms, Twombly went with General Magee to meet Roberts and Thomson at Thomson's Merion mansion on July 17. After he had obtained a promise that all the members of the syndicate would receive the same price as Vanderbilt, he suggested that they be paid in bonds of the moribund Bedford and Bridgeport Railroad, under the control of the Pennsylvania, with the parent company guaranteeing the interest, since this line was technically a connecting road with the South Penn, and the constitutional prohibition of the merger of competing railways could thus be evaded.

The Beech Creek provided a temporary stumbling block. Feeling that he had been squeezed on the South Penn deal, Roberts demanded 75 per cent of the Beech Creek stock, instead of merely half, in return for guaranteeing 4 per cent interest on the five millions in first mortgage bonds issued by the road. Twombly proposed that the Penn-

sylvania accept 60 per cent of the stock as a compromise and said that Vanderbilt would agree to these terms. General Magee reluctantly promised to submit this offer to his syndicate by mail, while Twombly decided to call a meeting of the South Penn group to discuss the Pennsylvania's proposal.

That evening Twombly met E. C. Knight in the Union League in Philadelphia, and told him what had been decided. Knight conveyed the news to Keim, who hurried around to the Bellevue Hotel to see Twombly, only to find that he had already gone to bed. Next morning Keim accompanied the Vanderbilt representative on the train as far as Trenton in order to get the details of the proposed agreement. He asked what had been done to protect the Reading's interest. Twombly said nothing had been done, and inquired what Keim thought of the sale. The Reading president replied that he was very much disappointed and would have to consult with his fellow officials.

Gowen in Europe, alarmed at the rumors which were reaching him, had already cabled his nephew, Francis I. Gowen, to see Vanderbilt at Saratoga. The evening of July 18 Francis talked with Vanderbilt and received confirmation of the news. When he delivered his uncle's plea that negotiations be held off for a short time, he was told that it was too late.

Indignation against the deal was widespread in Philadelphia and Pittsburgh. A reporter found a Reading official willing to give an opinion. "I believe Vanderbilt has sold us out," the officer said. Pausing to wipe his perspiring brow, he added: "We might have known it. When Mr. Gowen first began to deal with Vanderbilt he was warned that Vanderbilt would sell him out whenever it was for his interest to do so. He has done it right along."¹⁸ Robert H. Sayre, president of the South Penn, said that he knew nothing of any negotiations for its sale, although he conceded its passing might be for the best.

On Friday, July 24, Twombly made the official announcement of the agreement to the South Penn syndicate at a New York meeting. The Pennsylvania members angrily refused to accept the proposed terms. After cabling Gowen and Carnegie for advice, several of them waited around until Saturday for a reply, but none came. Not until the following Thursday did the answering wires arrive. Then both European travelers responded that they were opposed to the sale, but neither of them came home. The Scotchman's objection was not so much to the sale itself but to the fact that Vanderbilt had gotten

¹⁸ *Philadelphia Times*, July 23, 1885.

him only 3 per cent on his money instead of 5. Gowen's reluctance to take part in the fight was due to the fact that he was biding his time until he was ready to recapture the presidency of the Reading. As he later explained, if he had stirred up the Pennsylvania by his opposition, that road might have bought up enough stock in the company to block his reelection.

In another attempt to persuade Vanderbilt to change his mind, the South Penn group sent Doctor Hostetter and Henry Lewis, one of the Reading's directors, to Saratoga. The bitters king said that, if Vanderbilt was going to sell the road, it was as little as he could do to return their money. The New Yorker replied that he wished somebody would give his money back. Lewis and Hostetter reported to their fellow syndicate members on Friday, July 31, that the New York Central magnate had been very courteous but had refused to drop the sale. Since Vanderbilt's support would be essential to the continuation of the road, even if it were not sold out, the syndicate had to evolve some scheme that would block the deal without alienating the millionaire. Such an idea was indicated by the remark of Henry Lewis, who said: "We are about to take steps that cannot be made public, but the results of them will be apparent before very long."¹⁴ At the same time the Beech Creek stockholders unanimously rejected the Pennsylvania's terms, partly because of the unenthusiastic way in which General Magee had announced them.

Regardless of this opposition, Morgan's men were still confidently working out the details of the arrangement. While the West Shore was being tied up in a neat package and handed over to the New York Central, the financier tried to settle the South Penn situation. Roberts agreed to go through with the deal as soon as 60 per cent of the syndicate assented, and Twombly optimistically told Morgan he thought he could get two-thirds of the syndicate. The Vanderbilt son-in-law asked for and was promised \$100,000 more than had been agreed upon at Merion. It was decided that the Pennsylvania should issue and guarantee \$5,600,000 in Bedford and Bridgeport 3 per cent debentures, payable in 1099 years. The bonds were to be turned over to Morgan, who would handle the rest of the transaction. By Saturday, August 22, all the papers were ready in rough form and were in Saratoga for approval.

Unfortunately for these best-laid plans, a new factor entered the situation, probably as a result of the scheme to which Henry Lewis had referred. The Democratic administration in Pennsylvania saw an op-

¹⁴ *Ibid.*, Aug. 1, 1885.

portunity to make political capital out of an attack on monopoly. On Monday, August 24, the Attorney General announced that he would file suit for an injunction against the sale of the South Penn and the Beech Creek. The Democratic State Convention wrote into its platform a plank denouncing the Pennsylvania's attempt to buy up its two competitors as "a flagrant violation of the constitution." Some politicians thought the railroad issue might enable them to carry the State again in the 1886 elections. If the issue could be kept alive that long, they said, Gowen would be the logical candidate for governor. One State leader, who was obviously not from Schuylkill County, said of him:

He is bold and brilliant and he will attract more popular attention than all the other politicians or lawyers combined. He will make the railroad suits a repetition of his Molly Maguire prosecutions, and he is without an equal in the State in such a battle. . . . if there is to be a battle of labor against corporations, the only man who can lead it as Napoleon would lead an army is Gowen.¹⁵

To forestall the injunction, Morgan's negotiations were hastily pushed through. The day the Attorney General announced his intention of bringing suit, John P. Green, of the Pennsylvania, hastened to New York with the newly-issued Bedford and Bridgeport bonds and handed them to Morgan. President Roberts the day before had looked over the papers in Saratoga after church, saying with misgivings to a friend that no good would come of using Sunday for such a purpose. Delivery of the bonds to Morgan technically bound the sale of the South Penn, although none of the securities of that road had been handed over, and nothing whatever had been done about the Beech Creek.

While the signatures of the South Penn syndicate were being obtained, counsel for the defendants in the Commonwealth's equity suit, the Pennsylvania, the South Penn, and the Beech Creek, appeared in Dauphin County's Court of Common Pleas on September 8 to ask for a twenty-day postponement. The Reading entered the legal fray a few weeks later by filing a suit against the Pennsylvania for the recovery of \$180,000 spent to make the connection with the South Penn. This move was popularly attributed to Gowen, but the company officials said it was merely an attempt to get its money back and would have no effect on its friendly relations with the Pennsylvania. A representative of that road, raising an eyebrow at this statement, commented: "It certainly will not help matters any."

¹⁵ *Philadelphia Times*, Sept. 8, 1885.

On September 29, when the Commonwealth opened its case against the sale of the South Penn, a notable array of Pennsylvanians passed through the high-columned entrance of Harrisburg's red-brick courthouse. An observer might almost have thought a meeting of the Philadelphia bar was being held as he watched the cohorts of the Pennsylvania, the Reading, the South Penn, and the Beech Creek going in. Among the legal talent was Attorney General Lewis C. Cassidy, of Philadelphia, and Harrisburg's lawyer-historian, Benjamin Nead, for the Commonwealth, John Scott, Wayne McVeagh, and ex-Judge James A. Logan, for the Pennsylvania, Senator S. R. Peale, for the Beech Creek, and Lyman D. Gilbert, of Harrisburg, for the South Penn.

All of the leading characters in the South Penn drama appeared one after another to testify before the examiner, except Vanderbilt and Gowen. President Roberts had difficulty in remembering whether he had been acting at various times as head of the Pennsylvania Railroad, the Pennsylvania Company, the Northern Central, or another of his Pooh-Bah capacities. J. P. Morgan, making his first appearance in an investigation of one of his transactions, told his story with commendable frankness, only once refusing to answer questions.

Most of the evidence taken had almost nothing to do with the only question really involved in the suit, whether or not the purchaser of the South Penn was the Bedford and Bridgeport, a connecting road, or the Pennsylvania, a competing line. The issue of the Beech Creek and its nominal purchaser, the Northern Central, was only a sideshow, even though the Beech Creek was actually in operation and not merely a few holes in the ground. Despite all the skill of "a Mr. Morgan," as the State Supreme Court called him, and his battery of lawyers, the Dauphin County Court ruled that the Pennsylvania was the actual purchaser and handed down an injunction against the sale. When the Supreme Court confirmed this judgment, General Magee kept his railroad, and the South Penn syndicate had its worthless line dumped back in its lap.

CHAPTER XIX

PAX ROMANA

In the midst of the South Penn hearings the ex-dictator of the Reading came back from his voluntary Elba with Napoleonic self-confidence. He had carefully delayed his arrival until after the last day that stock could be bought to vote at the 1886 meeting, thus restricting the electorate to the existing shareholders. On November 9, 1885, he opened his campaign with a blistering denunciation of the incumbent administration, worthy of a professional politician, which he sent out to all the stockholders. For the first time since his retirement he aired before the public the grievances he had been secretly nursing for almost two years. He told the full story of how he had been treated, how Keim had refused to follow his advice, and how the company had blundered into one difficulty after another.

Bitterness did not dim his customary wit. Of the transfer of the reorganization to Wharton Barker, he said: "Messrs. Drexel and Company were at least able, if they were not willing, to help the company, but Mr. Barker was simply willing without being able, and, while Messrs. Drexel and Company's unwillingness might have been overcome, Mr. Barker's inability was chronic." Ridiculing the way in which the Whelen committee had turned the reorganization over to the new board, who had handed the problem on to a joint Whelen-Bartol committee, who had transferred it to a new committee of reorganization trustees, he commented: "Instead of finding safety in a multitude of counselors, there is great reason to apprehend that too many cooks are spoiling the broth."

Proclaiming once again that he would hold office only until the company was back on a sound footing, he announced a five-plank platform: 1) He would apply to the court to give the stockholders some voice in the management (that is, to have himself appointed to the receivership); 2) he would raise twenty million dollars from the junior security holders by showing them that they could thus double the value of their securities; 3) he would retain control of the Jersey Central by guaranteeing an income to its shareholders; 4) he would complete the South Penn, or else connect with the B. & O.'s Connellsville road to Pittsburgh; 5) he would enforce the traffic contract with the Beech Creek. He would not

agree with the Pennsylvania to exclude the B. & O. from the Reading lines, to give it a larger coal tonnage over its newly-completed Schuylkill Valley line in return for its abandonment of its competition with the New York Central in New England, or give it a traffic contract in return for financial aid. He would, however, deal with the Pennsylvania for the management of the coal trade.

Gowen's fight for office looked like a long, up-hill struggle as he issued his manifesto. This time he did not have the aid of the company's clerks and records which he had always had before, either as president or receiver; there was no big block of stock ready to swing the election. If he had any major ally, it was Robert Garrett, who had been left in control of the Baltimore and Ohio by his father's death; it was reported that the B. & O. had been buying up Reading stock to protect its route into New York. The attitude of Vanderbilt and his hundred thousand shares was doubtful, since the New Yorker had made peace with the Pennsylvania. Gowen's only assets were his popularity with the Reading shareholders and his fading reputation as a money-getter.

Nonetheless, his campaign gathered momentum as it rolled on. The stockholders were reported to be favorable to his candidacy because of his attitude toward the Pennsylvania, and the bondholders were not opposed. Asked if he would run against Gowen, Keim gave the tight-lipped answer: "I have nothing whatever to say on the subject."¹ Gowen told a reporter that he was sorry the occasion required him to become a candidate, but every dollar he had was invested in the Reading.

With the proxies arriving in substantial numbers, he went to New York to settle the vital question of Vanderbilt's stand. The millionaire promised that at least his shares would not be used against him, making victory seem certain. A few days later the pledge became meaningless when Vanderbilt, while talking to Robert Garrett, suddenly fell dead. Sought out for a statement as to the effect the death would have on his candidacy, Gowen replied:

This is not a time to talk of my business relations with Mr. Vanderbilt or my candidacy for the presidency of the Reading. My friend lies dead in his home, and I cannot talk of business matters. . . . I would rather have had Mr. Vanderbilt's simple word than the bond of many of the men who stood high in the estimation of the world. I know what I am speaking of, for at a critical period, when Mr. Vanderbilt was my ally, I had nothing whatever but his word to rely on and wanted nothing else.²

¹ Philadelphia *Times*, Nov. 11, 1885.

² Philadelphia *Times*, Dec. 10, 1885.

Paying his respects to his late friend at the funeral, Gowen was inevitably the center of all eyes. The New York correspondent of the *Philadelphia Times*, "F. A. B.," reported:

The most interesting and in many respects the most remarkable man I saw at Mr. Vanderbilt's funeral was Franklin B. Gowen, and he really attracted more attention than any other, although George W. Childs, A. J. Drexel, and the president of the Pennsylvania and Erie Roads was there.³

From one of the leading financiers of the country, F. A. B. obtained an opinion of Gowen:

He has most remarkable intellectual gifts. He carries sublime courage with him and can talk a setting hen off from her nest with his wonderful gift of speech. . . . He is the most picturesque man in railway affairs in America. His imagination is grand, and his tongue is as smooth as burnished gold.⁴

From the funeral Gowen hastened back to Philadelphia where he was making what was to be his last appearance at the Academy of Music. Even without the help of Reading officials to distribute tickets he had been able to fill the hall. Six hundred persons overflowed into the aisles and had to stand for three hours. This was not the same friendly crowd he had had five years before, however. There was no dramatic stage setting, no friendly dignitary to make the introduction. Gowen stepped out on the platform alone and was greeted with only faint applause. His jaw set in determination as he walked with a firm step to the table. He spoke calmly, his voice ringing loudly through the big building, and his right forefinger emphasizing his points.

Going back over familiar ground, he reviewed his battle with the McCalmonts and the condition in which he had left the company in 1884. Then he turned to the mistakes of the existing management—the sacrifice of collaterals, the failure to carry out his plans, the mis-handling of the coal trade, borrowing money at 18 per cent, mistreatment of the bondholders—itemizing so many errors he lost count of them. He repeated the story of his own relations with the company, describing how every move he had made to help had been ignored.

As the audience gradually warmed up, he entertained them with irony and humorous illustrations. Wharton Barker's reorganization plan re-

³ *Ibid.*, Dec. 12, 1885.

⁴ *Ibid.*

minded him of one of his favorite anecdotes, about the young doctor who returned from his first delivery with the report that he had done splendidly; the mother and child were both dead, but he thought he could save the old man. Taking up his own ideas for saving the company, he said that it would be easy if his original plans were carried out. With rosy optimism he declared:

Restore the Reading Railroad Company to what it was when I left it; let it have the Central Railroad of New Jersey to connect it with New York; let it have the South Pennsylvania to connect it with Pittsburg and the great West; let it have the Baltimore and Ohio connection with Baltimore, Washington, and the South; let it have the Beech Creek, Clearfield and South Western Pennsylvania Railroad so that it can reach the coal fields of Central Pennsylvania; and then you have some foundation to build upon—then you have something upon which you can get money. Why, gentlemen, I am told there is \$10,000,000 waiting in the county of Allegheny and the city of Pittsburg to construct the road to connect Pittsburg with the Reading Railroad the moment it is demonstrated that the Reading Railroad Company is safe from the clutches of the Pennsylvania Railroad Company, and can be relied upon to open railway communication with New York as well as Philadelphia.⁵

The company could be reorganized on the basis of average annual earnings of fifteen million dollars, including the Jersey Central. Friends had warned him not to make such a statement, he said, but the two companies had earned that much from 1881 to 1883, and the only reason earnings had fallen lower in the last two years was the incapacity of the present management. If anyone thought this loss was caused by the general condition of business, let him compare the Reading with other coal roads. Its net earnings in 1884 had declined 25 per cent from 1883, while the Lehigh Valley and the Lackawanna had fallen off only 4 per cent.

With net earnings restored to fifteen millions under capable management, all that was needed was a loan of twenty millions to pay off the floating debt. Some persons thought that was a large sum, but it was only 7 per cent of the investment in the company. Of course, the money could not all be raised in Philadelphia, but with the new connections he proposed to make there would be funds available in New York, in Pittsburgh, and in Baltimore, even in Europe.

Noticing that it was nearly eleven o'clock, he concluded:

I intended to say a great deal more. I intended to say about myself that I do not desire to take office for any selfish reason

⁵ Gowen, *Address*, . . . December 11th, 1885, p. 50.

other than a wish to save my property. I have many reasons to incite me to action. A sense of duty to the hundreds of people who have invested in this property on my account compels me to action. I could never hold up my head in this community if I stood quietly by and saw this great property sacrificed, without making an effort to save it. An attempt has been made to injure my character, and I dare not be silent. I cannot see this battle lost. I must turn to the rescue, for if the ship does go down it seems to me I should be the last to leave her. I have the further incentive of having nearly all my own money invested in the Company. I shall be fifty years old at my next birthday. I have worked as hard as any man ever worked, and the result of my work, about \$211,000, is now in jeopardy in the Company. If I represented nobody but myself and had no other incentive to action I should not hesitate one moment as to my course, and I now give notice that I do not intend to see my money lost without making an effort to save it. I enter into this struggle because I know more about the property than all others put together. I ask for the position of President of the Company, because some strong hand is wanted to direct its course. It is governed by fifty people; and I never yet saw a great corporation taken out of trouble by a town meeting. I know I can do some good, and I tell you further that I go into the fight because I am going to win. And after I have won I believe that it will not be long before I shall be able to lay before you the results of my work.⁶

The audience was won over, charmed by the magic of his voice. For the moment the twenty million loan seemed a mere trifle. The *Philadelphia Times* commented on Monday:

No event in financial circles for a long time has made so much talk as the speech of Mr. Gowen at the Academy of Music on Friday evening last. There are few speakers in the world who can electrify an audience as can Mr. Gowen. For three hours he talked on a subject which was old and yet by him made new. At the close he was enthusiastically applauded and asked to go on.⁷

The Academy of Music speech was a masterpiece, but it was wasted breath. Gowen was winning the election by default. Keim, helpless to compete in a battle of personalities, conceded the contest in advance and made no effort to collect proxies. The presidency of a bankrupt company was an empty honor in any case, when the powers of management were lodged in the hands of the receivers. A few days before the annual meeting, Keim's chief aide, George Kaercher, resigned as general solici-

⁶ *Ibid.*, p. 55.

⁷ Dec. 14, 1885.

tor of the Reading with the statement that under the existing circumstances it would not be wise for him to remain with the management, although he would continue to act for the receivers.

The defection of Kaercher had been one of the severest blows Gowen had received. Kaercher was the handsome young lad with the club foot who had studied law in his Pottsville office twenty years before, the district attorney with whom he had fought the Molly Maguire trials, the lawyer whom he had brought to Philadelphia to work for the company. To Gowen it seemed almost traitorous when Kaercher took his place at Keim's side. Tradition has it that one night shortly afterwards he paced the floor, moaning to a Pottsville friend, "I treated that boy as if he were my own son and now to think that he should do this to me!" Whatever grief he felt then, however, soon hardened into a defensive sneer. Asked whom he would appoint in Kaercher's place, Gowen smiled his balmiest smile and with characteristic sarcasm replied: "I have been accused of being dictator of this company so long that I propose to disprove it. I will select a board of managers to run this company, and they can elect a solicitor. That is not my business."⁸

At the annual meeting on January 11, 1886, Keim read his report, revealing that the company's earnings had fallen off nearly a million dollars from the disastrous year of 1884. As soon as he had finished, Gowen promptly bobbed up to make a motion. Keim glared at him and, drawing a paper from his pocket, turned to the chairman to say: "I would like to read a paper which I have prepared, which has no relation to myself, but is in relation to some strictures made on the management of the road. Is there any objection?" Gowen sat down again, and Keim began his defense.

"Without word or syllable passing between Mr. Gowen and myself," he said, "I accepted the office, free to discharge its duties to the best of my judgment and ability, accountable only to the stockholders. I would never have accepted it on other terms." When he discovered that Gowen intended to be still practically in control, he said, "I distinctly told him that I could not be controlled by anyone outside the management of the company, but I was ready at all times to avail myself of his wide experience in railroad affairs. I employed him as counsel and paid him as such, from March, 1884, to March, 1885, a very considerable sum of money."

When Keim had finished, Gowen got up smiling. He apologized for not having a detailed plan of reorganization ready, since he had been

⁸ Philadelphia Times, Jan. 11, 1886.

denied access to the company's records. "Gentlemen," he declared, "I have waited for vindication, and that vindication has come from that man who, of all others, should have made it fourteen or fifteen months ago—namely, my friend Mr. Keim. He has told you what I have been waiting two years for somebody in that office to tell, that Mr. Gowen was never permitted to have anything to do with the company after he left it. That is my vindication."

One step in reorganization was an absolute necessity, he said, "and that is a change in the management of the receivership. It is perfectly hopeless to go on with the property chained down with the incapacity with which it has been managed during the last few years." "You will pardon me," he concluded, "if I take a prominent part hereafter in the management of this company. An able American humorist says that 'a man who has been bitten twice by the same dog is only fit for that business,' and I, having twice delegated the power to save this company to other people, now propose to take hold myself, no matter who may say me nay."⁹

After he and his new board had been unanimously elected, he caused the adoption of a resolution calling for a change in the receivership. When the meeting was over, an old lady, who said she was a stockholder, came up to tell him: "Now, Mr. Gowen, I want you to get us out of this scrape." "I'll get you all out," he answered, "or I'll get myself very much in."

Reading executives trembled in their chairs like political officeholders after a change in administration, fearful that heads would fall as soon as Gowen could get control of the management. No action was taken on his appeal for a place in the receivership, however, and he remained at the office he had taken in the Forrest Building. Victory in the law suit at Harrisburg on January 15 gave his South Penn a reprieve from Vanderbilt's death sentence. In Pittsburgh, Publisher Baggeley said that, if the Vanderbilt heirs attempted to block the completion of the road, Gowen had plans for another line, shorter than the Pennsy's Harrisburg-Pittsburgh route, which could be constructed more cheaply than finishing the South Penn. This was the Harrisburg and Western, intended to connect with the B. & O.'s Connellsville road to Pittsburgh; such a route was better strategy, now that Vanderbilt was dead and Robert Garrett's support had to be retained.

On the other hand, he saw the Jersey Central slip away from the company when the New Jersey courts gave permission to void the lease. Gowen commented: "I am amazed to find on looking over the pleadings

⁹ *Philadelphia Times*, Jan. 12, 1886.

in the case that Mr. Kaercher never introduced the decision in the Dinsmore suit. That settled the matter; but I have paid no attention to the suit lately, as Mr. Kaercher thought he knew more about law than any of the rest of us."¹⁰

While Gowen was laboring to find the money to carry out his reorganization plan, the iron hand of J. Pierpont Morgan descended on the Reading. Heading a syndicate with John Lowber Welsh, of Philadelphia, Morgan offered peace and prosperity to the company in return for a comfortable fee. An anonymous member of the syndicate made clear what was meant by peace. He said:

In order to do this it has been found necessary to get rid of Mr. Gowen. We have all combined to get him out of railroad management, just as all the powers of Europe combined to crush Napoleon, and there will be no peace until Mr. Gowen is in St. Helena. He is an able and brilliant man and in some respects a veritable Napoleon, but he is no railroad manager. . . . The trouble with Mr. Gowen is that he wants to be fighting all the time. When he was after the Molly Maguires, he was in his element, but as a railroad manager he is a failure.¹¹

The syndicate ignored Gowen and his directors to present its plan on February 11 directly to the reorganization trustees, who had been fumbling ineffectively for months. The proposal called for the eventual funding of the consolidated and improvement mortgages into a new general mortgage of one hundred million at 4 per cent. The holders of the present general mortgage were to accept the new 4's in exchange for their bonds at once, and in return were to be given a bonus of \$480 in first preferred stock, paying 5 per cent non-cumulative dividends, for each \$1,000 bond. Owners of all junior obligations were to pay an assessment of from 10 to 20 per cent, for which they would also be given first preferred. Their securities would be converted into second and third preferred and new common stock.

To protect the creditors the voting rights on all stock were to be held for five years by a group of trustees, the obvious intention being to keep Gowen out and to preserve peace with the other railroads. The syndicate would put up fifteen million dollars as a guarantee for the scheme. Their fee was to be a commission of three-quarters of a million, 6 per cent interest on all money advanced, and the right to take up all securities on which the owner failed to pay the assessment. Since this was the only

¹⁰ *Ibid.*, Feb. 4, 1886.

¹¹ *Ibid.*, Feb. 10, 1886.

plan they had received, the reorganization trustees decided to cooperate with the syndicate to put it into effect.

Although Morgan's ruthless surgery proposed to lop nearly five millions off annual interest payments, enabling the company to pay all fixed charges even in as poor a year as 1885, his drastic methods were not calculated to be popular. Gowen was opposed to the plan because he claimed that assessments could not be collected without foreclosure, which would involve surrendering the Coal and Iron charter. He objected to the voting trustees, who would deny the stockholders control of their property for five years, and to the proposed surrender of the South Penn and the Jersey Central.

Gowen therefore busied himself trying to form a rival syndicate. He announced that he could obtain all the money he wanted, and, as an indication of his financial resources, bought out the interest of the Vanderbilt heirs in the Reading. Rumor reported that his backers included Carnegie, Garrett, John Jacob Astor, Cyrus W. Field, and Jay Gould. "F. A. B.," still under his spell, declared:

If you go down Wall Street these days you will hear little else but gossip about Gowen. Such is the wonderful sanguine temperament of the man that he seems to convince everyone with whom he is brought in contact that he can do everything that he promises. Difficulties seem to vanish before his persuasive tongue like snow on the plains before the warmest sun. . . . In the speculation of the day he is really a bigger factor for the time being than either Gould, the Vanderbilts, or any other of the great men who have dictated prices upon the Stock Exchange for years past. . . . There is existing here the same impression that is felt in Philadelphia and London that although Mr. Gowen may be sanguine, may sometime promise to do more than he can fulfill, there is implicit confidence everywhere that he believes what he says.¹²

One authenticated backer Gowen had was Austin Corbin, president of the Long Island Railroad and the Indiana, Bloomington, and Western, who was reputedly interested in the Reading because he thought that through the South Penn he might get a seaboard outlet for his western road. Since Corbin seemed to be Gowen's most important financial supporter, Morgan shrewdly attempted to eliminate the opposition by inviting him to join the syndicate. Corbin replied that he could not break the pledge he had given, but agreed to consult with Gowen on the matter.

Gowen seized on this overture as an opportunity to obtain his idea of a compromise. He authorized his friend to join the rival syndicate

¹² *Ibid.*, Feb. 25, 1886.

on condition that Morgan would abandon the assessment on the stock and the voting trustees, and keep the Jersey Central and the South Penn—in short, that all his ideas be accepted.¹⁸ The only concession Morgan agreed to make was to allow Gowen some representation in the voting trustees, but Corbin, feeling that this was sufficient, joined the syndicate anyhow.

Under the impression that his terms had been met, Gowen announced that he was withholding the plan he had prepared. When he discovered what had actually happened, he made a belated effort to get the reorganization trustees to postpone final action on his assurance that he would soon have all the money he needed for his own plan, but on March 16 the trustees formally approved the syndicate's scheme. Gowen sneered. "The mountain in labor brought forth a mouse." When the trustees sent out the plan to the security holders, he followed with a circular the next day asking them not to accept it. He pointed out that the syndicate would profit by over a million dollars if all the assessments were paid, and, if they were not paid, the syndicate could take over the junior securities for fifteen millions, or less than half their market value. As a substitute, he offered a painless reorganization with no assessments and 4 per cent cumulative first and second preference income bonds instead of the preferred stock proposed by the syndicate.

With the mailing of this circular, Gowen grew strangely silent. As the months dragged on, even the friendly *Times* became restless. On April 26 it declared, "Holders of securities are waiting on Mr. Gowen's plan, and Mr. Gowen is waiting on something, but no one knows what that something is." On June 6 it commented, "Mr. Gowen says his financial strength is greater than ever, but it is equally true that he is losing friends every day by his dilatory methods." Occasionally, as on June 12, he would issue another confident statement that he had all the money he wanted, but still nothing happened.

Nevertheless, Morgan realized that Gowen had a very definite nuisance value. Even if he could not put over his own reorganization plan, his influence was great enough to block any other. Morgan therefore prevailed upon Corbin to handle the delicate task of winning Gowen's support to the syndicate. Through July and August Corbin's intermediary, Alfred Sully, a young New York lawyer, gradually induced Gowen to abandon his opposition to the major principles of the Morgan plan. The syndicate made several concessions which conciliated Gowen without changing the scheme materially. His financial supporters were admitted to the syndicate. His friends, John Wanamaker and Henry

¹⁸ *Ibid.*, Mar. 6, 1886.

Lewis, joined Morgan and Welsh as voting trustees, the four members to elect a fifth. The securities to be issued to the junior bondholders were called income bonds instead of preferred stock; this technicality permitted reorganization without foreclosure, thus answering one of Gowen's objections. Lastly, Gowen was to resign, as he had all along pledged he would do, and give way to Corbin, who would also become one of the receivers.

This compromise was announced in a formal interchange of letters on September 17.¹⁴ Gowen issued an endorsement of his successor, saying, "Apart from his acknowledged ability, my personal relations with him are such as will make it a pleasure to me to give him a very loyal support." A reporter who called at his Forrest Building office the next day was surprised to find that Gowen, instead of looking like a man who had just been beaten into surrender, seemed well-pleased. He declared that he had won a substantial victory and pointed out that he was turning the company over to friendly hands.

Corbin was elected to the presidency and appointed one of the receivers. On the last day of 1886 Gowen mailed his final circular to the Reading security holders, advising them to accept the plan of reorganization, and sailed for Europe. After ten years of warfare the Reading's Napoleon was headed for St. Helena.

¹⁴ *Ibid.*, Sept. 18, 1886.

CHAPTER XX

PRIVATE PRACTICE

For the first time in twenty years Gowen was no longer a part of the Reading. He could now return to a private life which had been virtually denied him for the past decade. Before the Reading's financial structure had begun to sag in 1875, there had been time for other activities. Until then he had even been able to answer all the company's mail himself, spending one day a week at home writing out his replies in pencil for clerks at the office to copy. He had had time to build a new home, named Cresheim after the German town from which his mother's ancestors had come. Conveniently located on Stenton Avenue at the Reading's Mount Airy station and near the parental homestead, it was a commodious, French-roofed brick mansion, surrounded by twenty acres of lawn and garden; by 1940 both mansion and grounds had vanished before the demands of modern urban housing.

There had been time for leadership in civic affairs. Besides attending the constitutional convention in 1873, he had been a member of the board of governors of Philadelphia's Reform Club. His only subsequent venture into political matters had come in the spring of 1880, just before the Reading bankruptcy. Then he had lent his name to Representative Samuel Randall in his fight with Senator William Wallace for control of the State Democratic convention. Gowen had been one of the Randall slate of Philadelphia delegates, which contested the election of the Wallace group. Going to Harrisburg to attend the convention, he and his delegation were seated along with the Wallace representatives, the two groups dividing the votes. Although Randall backed Gowen as a delegate to the national convention, a compromise eliminated him, and he returned to Philadelphia.

The Reading's financial difficulties had not prevented him from serving as warden in Mount Airy's Grace Episcopal Church, a post which he held for the last fifteen years of his life, but they had interfered with his most sacred family institution, his Christmas. He had pointed out to the English stockholders, when he addressed them on December 23, 1880, that this was the first Christmas he had not spent at home in thirty-one years. The only occasion he had ever missed before had been when, as a boy of thirteen, he had lain ill at Beck's Academy.

The Gowen Christmases had been a tradition as far back as he could remember. Christmas was for the children, and, although his daughter Esther was his only child, the house was full of nephews and nieces. Uncle Frank always arrived at the party with his pockets jingling with gold pieces. The girls could expect a gift every year until they were married, the boys only until they were twenty-one; then, Uncle Frank said, they were old enough to earn their own money. For the youngest there was a five-dollar coin. The older children received a ten-dollar gold piece, while those who were nearly grown got a double eagle. Each Christmas there was a delightful thrill in speculating whether this was the year when Uncle Frank would be handing out the next larger coin. At the dinner he always insisted on eating at the children's table. Afterwards there was the party with one of his favorite pastimes, charades. When it came Uncle Frank's turn to put on a charade, he would take off the green cloth draped across the top of the piano, and wrap it around him. Then from an opened umbrella he would pluck an apple. Eventually someone would guess, "The serpent in the Garden of Eden," and there would be gales of laughter.

Outside of the holiday season his family life may not always have been happy. Although no actual records survive, traditions agree that Mrs. Gowen was not well-suited as a wife for him, as indeed scarcely any woman could have been. Charming and beautiful though she was, she did not take to Philadelphia's social life. In consequence, Cresheim seldom saw the gay parties which its master would have loved. Although her husband was devoted to her, she is said at times to have given way to fits of unaccountable jealousy. The story is told that on one occasion, when the Gowens were calling on friends, he held his hostess's chair when she sat down at the whist table before helping Esther to her seat. Mrs. Gowen almost immediately pleaded a sick headache and had to be taken home. For months afterwards, so the story goes, she did not speak to her husband.

She may have found frequent reason for jealousy when they were in mixed company. Tall, handsome, fair-faced, looking far younger than his years, Gowen and his gallant ways certainly had an appeal to the ladies. When he visited John W. Garrett in Baltimore after his address to the Congressional committee in 1880, one of the girls he met there begged him for a copy of his talk, which he kindly sent her, even though he said it was too dull for a young lady. Many others must have been inevitably charmed by him, but there is no indication that his relations with any woman other than his wife ever went beyond casual friendship. The absence of children from the home must also have been

a disappointment for him, especially since his daughter was reportedly very much her mother's child.

The social graces rarely deserted him. When he returned from Europe in the fall of 1885, he learned that his old friend Frank Hughes had just died. Even in the midst of his battle to regain control of the Reading, he found time to write a sympathetic note. His natural instinct two years earlier would have been to send it to his closest associate in the family, Hughes' son-in-law, George Kaercher, but, now that he had quarreled so bitterly with Kaercher, he wrote to another son-in-law, Guy E. Farquhar, saying:

Although we all knew long before I left for Europe, that the precarious condition of Mr. Hughes health was such that his life hung by a very slender thread which might snap at any moment, yet it is not the less a grief to hear of his death, and I must write you a few words to say how deeply I sympathize with you all in your bereavement. It seems to me but yesterday, that I sat in the Court at Pottsville when a law student, admiring Mr. Hughes splendid mental and physical proportions, as he towered above every one else, in the trial of some great case, and wondering whether I would ever be able to reach in my future professional life, as proud a position as he then occupied—And later when a few years more brought me in more direct contact with him sometimes as his colleague but oftener as his opponent my earlier impressions were strengthened and deepened with every opportunity of personal and professional intercourse with him. It is a great pleasure to me now to recall the fact, that in all the 25 years of our acquaintance as lawyers, often opposing each other in important cases, we were always friends, and I do not believe that a single unkind word towards each other ever passed our lips.

I would have written directly to Mrs. Hughes, did I not know that such letters often give pain, and that many people like to be alone with their sorrows.

Believe me

Very Sincerely Yours,
Franklin B. Gowen¹

In times of stress he could turn for relaxation to literature and the theater. He knew the stage well enough to describe at length scenes from two plays, *The Inconstant* and Bulwer-Lytton's *Richelieu*, in his famous speech at the Munley trial. One of his favorite diversions was composing limericks, although none of them have survived. He also loved to translate German poetry. When he sprained his ankle immediately after being defeated for the presidency in 1881, a friend, Joseph Rosen-

¹ Gowen to Farquhar, Oct. 24, 1885; copy in Pottsville Public Library.

garten, went to his Mount Airy home to cheer him up. Gowen, however, refused to talk of Reading affairs and insisted instead on reading a translation he had just made of one of Heine's poems. When Rosengarten left, he had received more comfort than he had given.

Music was the one art which was closed to him. He once told the Welsh Eistedfodd:

If there is one accomplishment about which I know absolutely nothing, it is preeminently music. I may have music in my soul, but there is none in my voice, and none in my ear, unless with the aid of the newly-invented audiphone—perhaps I could do it with that—I know of nothing to distinguish one tune from the other.²

His German and his French had probably been improved by his annual trips to Europe. He had become an experienced Continental traveler, able to advise others on the best routes and hotels. Usually he traveled alone, but in later years he took with him his nephew Francis. In the summer of 1879, when he was supposed to be busy trying to find enough money to stave off bankruptcy for the Reading, he had had time to take his old Pottsville friend, Lin Bartholomew, and young George Kaercher under his wing. One July day he found a card from Kaercher at his Paris stopping-place, the Hotel de la Couronne. When he learned that the Pottsville men had already left their hotel, he sent letters to both Drexel, Harjes in Paris and J. S. Morgan in London in the hopes that one would reach them.

Next day Kaercher and Bartholomew met Gowen and his nephew at the Hotel de la Couronne. Kaercher wrote his father afterwards how they had been "treated" to a fine dinner and how Lin had reminisced "of the old Pottsville life . . . when the old coterie . . . made merry in the days that are gone—Mr. G. heartily enjoyed the recollections of those days. . . ."³

For these neophyte travelers Gowen the following day prepared a detailed itinerary, with the precision of a timetable and the thoroughness of Baedeker. From the knowledge of a veteran tourist he instructed them:

Cologne to Coblenz by early express train—take a carriage at Coblenz & drive over the bridge & up the heights of the fortress of Ehrenbreitstein—back to Coblenz—take dinner at one o'clock at one of the hotels on the wharf—& take the Rhine boat at about 2½ o'clock & go to Biebrich—& then by R. Rd to Wiesbaden.⁴

² Philadelphia Times, Nov. 27, 1879.

³ George R. Kaercher to F. B. Kaercher, July 28, 1879, Kaercher MS.

⁴ Gowen to George P. Kaercher, July 29, 1879, Kaercher MS.

From there he carefully mapped out their route to Frankfurt, Heidelberg, Baden Baden, Regi-Kulm, Lucerne—they must telegraph from there for a room at the Geissbach hotel—Interlaken, Berne, Geneva, Lake Maggiore, to Genoa, Milan, Florence, Venice. From Paris to Munich would take “43 days to do everything comfortably.” He recommended that they go by lake to the Castle of Chillon, and that they should not miss “one of the best organs in the world” in the Freiburg cathedral, the sunrise at Regi-Kulm, and the illumination of the falls at Geissbach.

A week later he wrote from the Devonshire village of Clovelly:

We are now in one of the quaintest old towns I ever saw where the main & only street is in absolute reality a pair of stairs—the ascent being so steep that it can be overcome in no other way. Wheeled Carriages are unknown & the traffic is conducted entirely on Donkey-back. . . . We sail on Saturday next & before going I write to wish you & Lin a very delightful time on your continental trip.⁵

The beauties of the sunrise at Regi-Kulm may have helped to solace the lonely and beaten man who was spending his last summer in Europe in 1887. He had come a long distance since that day just thirty years before when he had brought his young bride to Pottsville, looking forward to a bright future as a coal operator. The path behind him was strewn with dramatic achievements and magnificent failures. The way was marked with the wreckage of a steady succession of friendships—John Siney and the miners, Eugene Borda and the factors, Charles E. Smith, Thomas Wilde Powell, the McCalmonts, and then at last George Keim and young George Kaercher. Vanderbilt and Garrett were dead and gone, with their sons in their places. Most serious of all, Morgan had taken the Reading away from him, and he could never again shape its destinies with dreams of grandeur.

In October Gowen came back to Philadelphia to resume the private practice to which he had so often expressed his desire to return. He was moderately well off with a fortune of probably half a million dollars, a tidy sum for the times, but insignificant in comparison to what other railroad men like Vanderbilt, Gould, and Garrett had amassed. A little later he was to write to a friend who had asked him to invest in a torpedo boat, hinting why he was relatively poor:

The invention is an ingenious one, and will doubtless be successful, and I suppose highly profitable to the owners—but I never was very fond of money, and there are many reasons which influence

⁵ Gowen to George R. Kaercher, Aug. 5, 1879, Kaercher MS.

me in declining to invest in such an enterprise. . . . It is probable that they would not influence any other persons than myself, but with me they are irresistible [*sic*].⁶

Even though he had little interest in money, there was still a chance to salvage the \$38,000 he had put into the South Penn and perhaps to return to railroad management, since the road had obtained its reprieve from the State Supreme Court. In May, 1888, Gowen and his fellow-syndicate members attempted to revive their enterprise. A reorganization called for each of the subscribers to pay 20 per cent more on their original subscription. The rest of the money would be raised by a bond issue of nine million dollars, the sale of which would be guaranteed by Vanderbilt's sons. Carnegie, who had been the leading spirit in this revival, sailed off to Europe, however, and the project languished in his absence, because the Pittsburghers objected to the proposed financial terms. Carnegie's return in October stirred up interest again, but the death of Doctor Hostetter a few weeks later made prospects gloomy once more.

Any action had to be taken quickly because the charter would lapse in 1890 unless part of the road was built. In January 1889, Hostetter's son Bert produced a new reorganization scheme. The syndicate members were to receive seven millions in common stock for the \$5,600,000 they had already subscribed, plus interest, and three millions in preferred stock for the assessment they were now to pay. Ten millions in bonds would also be raised. This time the Vanderbilt sons objected, but, realizing that their father was responsible for the projection and abandonment of the South Penn, they offered to buy out the other members for 60 per cent of their investment. These terms were accepted, and the South Penn died quietly, to be born again half a century later as the nation's first super-highway. Gowen's enthusiasm and Twombly's manipulation had cost the Vanderbilt family \$4,120,000; the other members of the syndicate lost about one and a half million among them.

Despite the era of peace which Morgan's iron hand had imposed on the railroads, Gowen still found opportunities to wage guerilla war against his old enemies, the Standard and the Pennsylvania. He found a fellow-foe of the Standard in George Rice, a big, bluff Vermonter who had battled the Rockefellers in Pennsylvania's oil region before he moved on to Marietta, Ohio, where he continued his bitter warfare. The Standard fought back by price-cutting, buying out his agents, and forcing railroads to raise his freight rates. A new blow had come with

⁶ Gowen to F. P. Dewees, Feb. 15, 1889, Historical Society of Schuylkill County MS.

the passage of the Interstate Commerce Act in 1887, which Congress had been debating ever since Gowen spoke to the House committee in January, 1880. Required to set non-discriminatory rates, the railroads established freight charges for oil in barrels which were considerably higher than for oil in tank cars. Since the Standard shipped in its own tank cars, while Rice had none and could get none, this placed the Marietta man at a disadvantage. He appealed to the Interstate Commerce Commission, which had been created by the new law, and retained Gowen as his counsel. On January 17, 1888, Gowen appeared before the new commission and convinced it that these rates were discriminatory.

Feeling that such belated decisions were scant help to a man fighting a ruthless competitor like the Standard, he recommended changes in the act to the Senate Interstate Commerce Committee on March 24. Once more he advocated his old remedies, giving an injured person the right to obtain punitive damages and to secure a writ of mandamus from the Federal courts, compelling the railroads to accept his shipments at a fair rate.

Although the Senate took no action on these suggestions, within a week he had an opportunity to attack the Standard in a national forum. He received a letter from Henry Bacon, chairman of the House Committee on Manufactures, inviting him to be the committee's counsel in its investigation of trusts in general and the Standard Oil in particular. He replied that, if the committee would agree to go into the effect of discriminatory railroad rates on creating the monopoly, he would devote two or three weeks to handling the investigation. When the committee accepted his terms, he promptly issued a series of subpoenas, calling for the production of a vast number of records to prove the existence of the rebate system, which were served on officials of the Pennsylvania and other railroads.

Gowen arrived in Washington on April 23 to open the hearings, but the Pennsylvania Railroad officers, instead of appearing, sent their attorney, John Scott, to argue over the subpoenas. He hinted that Gowen's purpose was to obtain information for a suit against the Pennsylvania, which was shortly to be tried. In a sharp interchange he reminded Gowen of his anomalous position as a foe of monopoly. Saying ironically that he had supposed the committee's counsel was present to testify concerning the anthracite combination, he added:

You will pardon me for supposing that with your prominence as the counsel for the Reading Railroad Company, and as the receiver, and as the gentleman who made contracts, if I am correctly

informed, with the Empire Line for the transportation of oil, this was the last position in which I expected to find you.⁷

Gowen defended his subpoenas by declaring:

In my judgment, there is no more doubt than that I stand here that by the production of these papers we will be able to show that this Standard Oil Company, that now controls from 85 to 90 per cent. of the business interests, was enabled to grow to that proportion and break up every single opponent or rival they had, simply because at the time they entered into business, some twelve or fifteen years ago, and as late as nine years ago, they received on every barrel of oil they shipped—to use no worse phrase—an illegal drawback, and that, in addition to that, they were paid the same drawback on every barrel that everybody else shipped.⁸

In spite of the committee's promise to support Gowen's investigation of the railroad rebates, no attempt was ever made to enforce these subpoenas. No Pennsylvania records were produced, and only one or two minor officials of the road appeared to testify. Nevertheless, Gowen succeeded in producing a great deal of evidence about the growth of the Standard. His excellent knowledge of the oil industry was invaluable to the committee, as the members were so poorly acquainted with the subject that they frequently had to have details explained to them.

This experience was vital to the success of the investigation, since the Standard representatives were masters of the art of skating over thin ice of evasiveness without falling into perjury. Gowen by deft questioning attempted to drive them into corners where they could no longer dodge the truth. When Daniel O'Day, manager of the Standard's National Transit Company, appeared on the stand, Gowen tried to elicit from him the story of his dealings with the Cleveland and Marietta Railroad Company.

The C. & M., a small, bankrupt railroad, carried oil from the nearby Macksburg fields to Marietta for both the Standard and George Rice. In 1884 O'Day, by threatening to build a pipe line to carry the Standard's oil to Marietta, frightened the C. & M. receiver, Phineas Pease, into agreeing to double the 17½-cent a barrel rate on oil and to turn over to the Standard twenty-five cents on every barrel it carried, whether or not the oil came from the local pipe lines of the National Transit Company. This was not a new system; the Standard had received simi-

⁷ *The Reports of Committees of the House of Representatives . . . 1887-'88* (Washington, 1888), IX, 98.

⁸ *Ibid.*

lar rebate on its competitors' oil from the trunk lines between 1877 and 1879, but it then had some excuse for collecting that as a commission for handling the trunk line pool. O'Day's rebate was obtained through outright blackmail.

As soon as Rice learned of this arrangement, he set up a pipe line and barge route for obtaining his oil, and then brought suit against the railroad. On orders from his superiors, O'Day promptly returned to the railroad the money collected on Rice's shipments, but the whole story was brought out in court and denounced by the judge.

Despite the fact that every detail of this incident was a matter of public record, all Gowen's skill was required to get O'Day to admit any of it. After the witness had evaded several questions designed to bring out the arrangement with the C. & M., Gowen read a letter from Phineas Pease giving the details. O'Day said the letter was not true because he had asked only a twenty-cent rebate instead of twenty-five and because the railroad had not been "compelled" to accept his terms. Trying to get the witness to concede that his memory of the rates might not be so accurate as the written record, Gowen continued:

Q. Now, I ask you if the rate which the railroad received out of the joint rate was not only 10 cents a barrel?—A. My recollection is, as I said before, 15 cents; I won't be positive of that.

Q. Would you assert your recollection against a judicial determination of this question by the courts?—A. I certainly should not.

Q. Now, did you not make it as a part of that arrangement that this railroad company, or its receiver or manager, should charge a certain Mr. George Rice, who was a competitor with you, a higher rate on his oil?—A. No, sir.

Q. You did not?—A. We did not.

Q. Were you not to receive, and did you not receive, from this railroad, or its business, a payment to your company on account of the oil they transported for Mr. George Rice?—A. Yes, sir; the railroad company agreed that the rates should cover all oil transported.

Q. What rate?—A. The fixed rate as between the railroad and the pipe line.

Q. That is to say that when the through rate of 35 cents was charged on the oil which passed your pipe line and their railroad together, and out of which you received 20 or 25 cents, as your recollection may be, they were to charge the same rate to Mr. George Rice, whose oil passed only over their railroad, and not through your pipe line?—A. There was nothing special about George Rice; it covered the oil.

Q. But did that other oil which was in competition with you pass through your pipe line?—A. No, sir.

Q. Did not they therefore, on that oil which only passed over their railroad and not through your pipe line, pay to you the same allowance or rebate that they did on your oil which did pass?—A. They did, but we returned it through the advice of our counsel, Mr. Dodd.

Q. How long did you keep it?—A. A very short time.

Q. It was a hot time for Mr. Rice?—A. I don't think it was; he was a hot man.

Q. The result of your arrangement, if it had been carried out—assuming your recollection to be correct—you would have paid 15 cents to the railroad for your oil, and Mr. Rice would have paid 35 cents, would he not?—A. No, sir; he had the privilege of doing what he did, which he afterwards did do.

Q. He was not using your pipe line?—A. No, sir; we tried to get him to make an arrangement with us to use our pipe line, but he would not do it; he wanted a better rebate than anybody else.

Q. He had his own means of bringing this oil to the railroad; he did not require your pipe for that service?—A. He required the pipe to get his oil to Marietta, and subsequently laid a pipe to Marietta.

Q. Was not this the fact, as Judge Baxter has found, in this case, that Mr. Rice, who at that time only used the railroad, paid 35 cents for the transportation of a barrel of oil? Was not that true?—A. I took it to be true.

Q. Now, out of that sum how much did you get from the railroad out of what they had received from Mr. Rice?—A. We did not get any; that is, we did not retain any. The railroad company agreed to account to us for the oil that went over its lines, and they did make an accounting to my recollection of about \$200 or \$250, or something like that, on oil other than that which passed through our lines. Our counsel, Mr. Dodd, advised me that we could not do that business, and we refunded the money.

Q. Was that refunded before the investigation of the case took place in court?—A. I do not know; I do not remember.⁹

With such patient labor Gowen gradually extracted the facts from the Standard witnesses. He remained courteous, keeping his violent temper under control regardless of the provocation; even his free-wheeling arithmetic stayed in gear. His duel with John D. Archbold was especially interesting in view of his efforts a few years earlier to have Pennsylvania's Attorney General try the Standard man for bribery. He cleverly trapped Archbold by getting him to criticize the Empire Transportation Line for going into refining in 1877. "We objected to their going into the refining business," Archbold declared, "on the ground that as a common carrier they had no right to do so. They had no right to be competitors with their shippers and their manufac-

⁹ *Ibid.*, pp. 274-275.

turers."¹⁰ Then Gowen triumphantly reminded him that the Standard through its pipe lines was now the carrier of 75 per cent of the oil and also a competitor of the individual refiners, whose oil they transported.

Gowen, who, as counsel for the Tidewater, was well acquainted with the operating costs of a pipe line, attempted to draw out of Archbold some figures which would show what substantial profits the pipes were earning, but the witness replied that the problem was too complicated for him even to make an estimate. He repeatedly professed ignorance of subjects on which he had every reason to be well-informed, until, growing angry under Gowen's relentless questioning, he threw out a whole series of denials of charges about which he knew far less, and stepped off the stand.

Gowen promptly called him back to question him about his contradiction of Senator Lewis Emery's testimony that he had received inferior oil from the Standard. Asked how he knew the Senator's statement was untrue, Archbold hedged and finally had to admit that he knew nothing about it personally but merely thought that Emery's story did not sound probable. Other Standard witnesses were less truculent, if equally evasive. Gowen and John D. Rockefeller, indeed, seemed intent on outdoing each other in courtesy.

The foes of the trust, on the other hand, needed no urging to bring out their stories. George Rice, in fact, produced a whole bundle of interesting letters and documents, including a certificate of interest in the trust which he had bought in order to obtain evidence. In two brief weeks Gowen managed to spread on the record a full account of the rise of the Standard Oil Company and its competitive methods.

On July 20, 1888, he returned to Washington for a final day of evidence which the Standard desired to submit in its behalf. Ten days later the Committee on Manufactures laid the testimony before the House without recommendations of any kind. The only comment made was to marvel at the clever way in which the trust had been organized in order to evade the existing law. In an effort to arouse the committee from its apathy, Gowen reviewed the investigation before the members on February 20, 1889. He set forth facts from which, he said:

The conclusion is irresistible that it was the unjust and illegal discriminations of the railroad companies alone that enabled the Standard Oil Company up to the year 1879 to secure a monopoly of the oil trade. . . .¹¹

¹⁰ *Ibid.*, p. 322.

¹¹ Gowen, *Argument . . . in the Matter of the Investigation of the Standard Oil Trust by the Committee on Manufactures of the House of Representatives* (Philadelphia, 1889), p. 8.

Once again he urged that Federal courts should be given the right to issue writs of mandamus to compel fair rates to all and that injured parties should be permitted to recover damages. The Interstate Commerce Act, he said, should be amended to cover pipe lines. The Standard's pipe lines in Pennsylvania, he added, should be taken over and operated by the State. His battle against monopoly had finally carried him into an advocacy of government ownership.

Trying to reconcile his current preaching on business combinations with his former practices in the anthracite industry, he outlined guiding principles for the committee:

First.—That the injury to society and to private citizens inflicted by the Standard Oil Company, has been due entirely to its collusion and alliance with railway and other transportation lines, and has not resulted from the comparatively recent formation of the Standard Oil Trust.

Second.—That it undoubtedly may be the case that combinations or trusts in business may be formed in pursuance of an honest and innocent attempt to avoid trade losses consequent upon low prices arising from overproduction.

Third.—That combinations in trade, whose only object is to secure to their members a reasonable and proper protection, are not illegal, but if they are formed for or attempt to secure more than such reasonable protection, and endeavor unnecessarily to advance the price of any commodity, or to destroy the property of a competitor, they become criminal conspiracies, and their members may be indicted for and convicted of a misdemeanor.

Fourth.—That all combinations formed among manufacturers to advance the price of any article are sure to invite new competition, and the higher the price to which the manufactured article is advanced, the more certain is competition to be introduced—unless in cases where the combination or trust owns or controls some particular product essential to the manufacture of the article produced.

Fifth.—That while all such combinations may be broken up and destroyed, or rendered harmless by new competition incited by the advance of prices, every combination requiring transportation services which is protected by unjust and illegal discrimination in rates by common carriers is secure against all competition, and in such cases the injury to society is inflicted by the unjust discrimination in rates and not by the formation of the trust or combination among producers or manufacturers.

Sixth.—That the Standard Oil Trust owes its control of the oil trade of the country entirely to unjust and illegal discrimination in charges for railroad freights. That nearly all of its great wealth and power have been thus dishonestly and illegally obtained. That it is by far the most conspicuous example, among the many instances, of great fortunes made by the favoritism of railway officials, and

that the moment the transportation of petroleum is conducted honestly and without unjust discrimination in freight charges, so that every producer and manufacturer can have his oil transported over like distances in the same direction at the same rates, the monopoly of the Standard Oil Trust will again be destroyed, and abundant capital and enterprise will again embark in the business of refining oil, and will be able to compete successfully with the Standard Oil Company in every branch of the trade.¹²

Except for his over-emphasis of the role of discriminatory freight rates in creating big business, Gowen had framed a fairly workable conception of monopolies. Had he gone one step further and recognized that government would have to police industry as well as transportation in order to keep monopolies "good," he would have been expressing the philosophy of the New Deal. His appeal for regulation of transportation, however, was addressed to a Congress which had only two weeks left of life and neither time nor interest to act.

Two months later he again fought for non-discriminatory rates by appearing before the Interstate Commerce Commission as counsel for his good friend, Eckley B. Coxe, in a suit against the Lehigh Valley Railroad. Asa Packer lay ten years in his grave, and his successors, less scrupulous of their charter, were discriminating against Coxe and other individual operators. Watching the strange spectacle of Gowen battling the coal monopoly, the *Philadelphia Press* mused reminiscently:

Mr. Franklin B. Gowen is a gentleman of wide experience and as a railroad man and a lawyer he quite frequently gets on both or all sides of a question. We all remember his eloquent defense as president of the Reading Company of the right of a railroad to be a coal miner. As a lawyer he is on the other side of the case now, but he is no less interesting or eloquent than when he and old ocean entertained a legislative committee at Atlantic City.¹³

¹² *Ibid.*, pp. 35-36.

¹³ Apr. 30, 1889.

CHAPTER XXI

FINALE

No man can know what thoughts were in the mind of Franklin B. Gowen as the year 1889 drew to a close. Perhaps he was thinking wistfully of the days of glory when he had been acclaimed a hero for crushing the Molly Maguires, when he had swayed audiences packed into the Academy of Music, when Vanderbilt and Garrett had sat at his side in the Hotel Bellevue—days that could never come again. Perhaps he was looking forward to an empty future of obscurity with his name forever missing from the headlines. Or perhaps he feared that that brilliant mind, which he had driven so hard, was about to cross the narrow border between genius and insanity.

Whatever his thoughts, his actions betrayed some serious worry in the man who had never looked at any side but success. Early in December he visited Pottsville, where friends noticed that he was not his usual cheerful self. In a restaurant he sat over his lunch for three hours in a moody, preoccupied way. An old friend, Thomas F. Kerns, spoke to him in the street. Gowen stared at him vacantly and passed on without a word. It was said that he even got on the wrong train on his way home.

On Monday, December 9, he wrote to his insurance agent, asking about the possibility of exchanging his \$90,000 in life insurance for paid-up policies. Then he set out for Washington with a small handbag and a tin-box full of legal papers to argue another case for George Rice before the Interstate Commerce Commission. Thursday evening he walked into D. N. Welford's hardware store on Pennsylvania Avenue and said that he wanted a good revolver. He selected a handsome, nickel-plated Smith and Wesson .38 with a pearl handle. The clerk apologized for having only a broken box of shells for the gun, but Gowen replied that that would make no difference.

The next day was Friday the 13th. At one o'clock George Rice called on him in his room, Number 57 in Wormley's Hotel, and thought his spirits had never seemed brighter. Three hours later a Philadelphia friend, Major Edwin Stevens, met him walking in the street. Stevens noticed a sad look in his face, but that immediately disappeared when he recognized his friend. Gowen greeted him cordially, and the two men strolled to the Riggs House, where they sat in the lobby for a

quarter of an hour, discussing Reading affairs. Then Gowen left to cross the street to his own hotel.

The bed in Room 57 was still as he had left it in the morning, with the covers carefully thrown back. He took off his hat, overcoat, and gloves, and began to write. When the chambermaid came in to make up the bed, he asked her to return later. Locking the door behind her, he got out his new revolver and loaded it. He walked over to the mirror which hung above the fireplace mantel, where in the fading light of the December sun he could see his face, still handsome and scarcely touched by his fifty-three years. His jaw set with the familiar look of determination, his left hand clinched, and his right hand raised the revolver to his head and pulled the trigger.

At noon on Saturday the maid, finding the door to Number 57 still locked, called the proprietor. Climbing a stepladder, Mr. Wormley looked through the transom and saw the body of his guest lying before the fireplace. A policeman was summoned and the corpse was removed to the police station until two indignant Congressmen protested against this lack of respect.

When the incredible news came over the wires to Philadelphia, reporters hurried to Gowen's office in the Forrest Building. They found his nephew Francis there, but he refused to credit their story. When a telegram from Washington made doubt no longer possible, Francis dazedly told the sympathizers who were flocking in that he was too astounded to even believe it or talk about it. The Reading offices were shaken as they had not been since the day the company suspended payments in 1880. Albert Foster, the Reading secretary, said, "My God, what a terrible ending." Assistant Secretary Quarles exclaimed, "It is awful; it cannot be true." George Keim, still president of the Coal and Iron Company, was cold as marble and could find no words. Later he was able to issue a statement:

I was never more shocked in my life. . . . No man knew President Gowen better than I did. He was only fifty years old, happy, contented and hopeful for the future. . . . I know of no cause which could have produced his death in this sad manner. Mr. Gowen was a great man in Napoleon's definition of greatness when he said: "A great man is a man who can accomplish great things."¹

Only ex-president Smith was unforgiving. He commented sourly on the suicide: "I believe it was caused purely by mortification over his failure in the management of the road. . . ."

Captain Linden hastened to Washington to investigate the death,

¹ Philadelphia Times, Dec. 15, 1889.

half-believing it another Molly Maguire murder, but had to come to the reluctant conclusion that there was no other possibility than suicide. With Francis Gowen and James E. Hood, another nephew, he brought the body home on a special train over the Baltimore and Ohio, paying its last homage to an old ally. On Tuesday morning, December 17, after a quiet funeral Franklin B. Gowen was carried to his final resting-place through a dismal northeast rain.

* * * * *

Gowen's career had flashed across the nineteenth-century sky with the brilliancy of a meteor. For twenty stormy years he had been one of the most talked-about businessmen in America. In the eastern United States and in England he was at least as well-known as Carnegie, Rockefeller, Vanderbilt, or Gould. Yet, a half century after his death, his was the one name of the five which could not be identified by an average student of American history. Only in local traditions in such spots as Schuylkill County and the Reading offices was his memory still preserved. In the textbooks he was no more than a footnote to the Molly Maguire episode, usually with his name wrong. A noted history of Pennsylvania mentions Franklin B. "Gowan" as the "district attorney" who prosecuted the Mollies. Outside a Northumberland County village, called Gowen City in a moment of optimism worthy of its namesake, stands a highway sign recording that it was named for "Francis" B. Gowen.

Even in his own lifetime Gowen had begun fading into obscurity. He had kept his place in the spotlight so long only through the force of his dramatic personality. His constant battles against apparently overwhelming opposition with no other weapon than his silver tongue had captured the popular imagination. Yet, in the end, his very source of power was to be the cause of his downfall. His ability to borrow millions upon millions on the strength of his confident optimism enabled him to launch one visionary scheme after another. As his promises of future prosperity were each year disproved by results, his powers of persuasion grew inevitably less effective, until in the end there were no bankers left who could be convinced by his arguments.

When he failed in his last effort to reorganize the Reading in 1886 and surrendered to J. P. Morgan, that defeat, the first of his career, seemed to wipe out the memory of all his previous triumphs. Even though he never conceded that Morgan had beaten him, the victory-loving public looked on Gowen thereafter with the regretful gaze it reserves for an ex-champion trying to make a come-back. All his successes seemed to have been swallowed up in his single defeat.

Nevertheless, while the mists of time swirled over his name, anonymous memorials paid tribute to his tumultuous career. Even his grandiose failures left their monuments. His ferocious war on the Pennsylvania, futile as it was, is marked by the tunnels through which the super-highway passes, the Pennsy's "spite" line between Philadelphia and Pottsville, and Broad Street Station.

The Reading Railroad as it stands today is much the system he made it. The community of interest he established with the Jersey Central, the Baltimore and Ohio, and the New York Central still exists. On the other hand, the Reading has had to shed many of the extraneous activities he added. The express line, which showed a profit only through Gowen's system of keeping books, was handed back to the express company. Both the canals he acquired were abandoned, and the steamship line was given up. The corporate structure of the company was completely reorganized after another adventurer, A. A. McLeod, again bankrupted the Reading in an attempt to build up an even vaster empire, just a few years after Gowen's death.

The most vital change in the company as he left it was forced upon it by the Interstate Commerce Commission in the early 1920's, when the Coal and Iron Company was separated from the railroad company. This official order was actually a blessing to the parent corporation, for the Coal and Iron Company never paid a dividend on its stock. Only at the height of World War II after ruthless reorganization and the abandonment of much of its land holdings was it able to show a profit.

Guilty as Gowen may have been of faulty business judgment in organizing the Coal and Iron Company, there were extenuating circumstances. He was not alone in his error, for the other large anthracite corporations had an equally unprofitable history. Moreover, Gowen's vision brought corporate capital to the Schuylkill region at a time when it was needed. The resulting improvements in mining benefited society by producing more coal at cheaper prices than would otherwise have been possible. The miners, too, were better paid and better treated than they had been by the individual operators.

His business philosophy, so much ahead of his own day, has been largely vindicated by time. In an age when America had been desperately trying to restore the good, old, pre-war days of free competition, he had had the vision to speak out against unrestricted economic warfare. The first American cartel, his anthracite combination outlined the shape of things to come, when industries, grown too large and too mature to claw and scratch at each other like schoolboys, would have to agree to compete like gentlemen. The economic pressure which had created

the coal combination kept it alive in one form or another until it was finally enacted into law by the State of Pennsylvania in 1941.

The policy of direct distribution from the producer to the consumer, which he attempted to establish for his coal, was another step in the right direction for business, even though he was forced to abandon it. American industry today pays at least lip-service to his argument that enlightened self-interest impels it to seek means of constantly reducing prices. Even his theory that spending borrowed money would create prosperity, fifty years after his death, had come to be accepted by many an economist for government, if not for private business.

All these achievements, however, have been overshadowed by the Molly Maguire legend. His dramatic address to the jury in the Munley trial fixed the outlines of the story for posterity and forever identified him with the Molly Maguires. The romantic appeal of McParlan's adventures has kept Gowen's name alive more than anything else. Yet the Molly trials and their aftermath of the reign of the coal and iron police were among the least creditable incidents of his life. His campaign for law and order pushed justice to its farthest limits and even beyond. Jack Kehoe, however bloodstained his hands may have been, was almost certainly innocent of the crime for which he was hanged. Tom Duffy and Jim Carroll died for a murder with which they had little to do, while Jimmy Kerrigan and Kelly the Bum suffered not at all for their notorious crimes. Still it must be remembered that Gowen, for all his theatrical posturing, sincerely believed the charges he flung at the Hibernians.

His obvious sincerity was the secret of the hypnotic power he had held so long over the minds of his contemporaries. It enabled him to convince investors that, no matter how often he had been wrong before, this time he was surely right; it caused the public to accept his misrepresentation of facts as truer than the facts themselves. Even his enemies seldom questioned his honesty.

Had fate directed his miraculous gift of words into some other path, he might have won more lasting fame. On the stage, in the pulpit, or in the political forum he would have been superb; his occasional appearances as a railroad lawyer did earn him top rank at the bar. Unfortunately, he chose to enter the field for which he was least fitted. In business, his optimistic outlook led him to a succession of disasters. No matter how often he was proved mistaken, he remained confident that he would not be wrong again. His lack of business judgment made inevitable a final verdict of colossal failure. Nevertheless, the verdict must be tempered with mercy, for all his errors lay in his unbounded faith in America's future, in his vision which saw clearly, but too far ahead.

APPENDIX A

EARNINGS OF THE PHILADELPHIA AND READING RAILROAD COMPANY AND THE PHILADELPHIA AND READING COAL AND IRON COMPANY, 1865-1890 (Fiscal year ending November 30; 000's omitted)

	<i>Railroad Company</i>			<i>Coal and Iron Company Combined</i>		
	<i>Gross Receipts¹</i>	<i>Operating Income²</i>	<i>Net Income³</i>	<i>Operating Income</i>	<i>Net Income</i>	<i>Net Income</i>
1865	\$11,143	\$ 4,812	\$2,633			
1866	10,903	4,164	2,530			
1867	9,106	2,840	2,040			
1868	8,792	2,629	1,849			
1869	11,208	4,332	3,277			
1870	9,571	3,063	3,720			
1871	12,563	5,007	3,998			
1872	12,125	4,061	2,912			
1873	14,833	5,358	4,131 ⁴			
1874	14,452	5,720	3,945 ⁵			
1875	12,661	4,531	2,865 ⁶			
1876	12,228	3,717	1,356*	\$ 653*	\$1,642* ⁷	\$2,998*
1877	12,143	4,391	700 ⁸	755*	1,655*	955*
1878	11,540	4,220	894 ⁸	752*	1,719*	825*
1879	13,106	4,119	662 ⁸	699*	1,633*	971*
1880	16,939	7,691	1,345*	488	702*	2,047*
1881	18,612	8,122	818*	1,199	41	777*
1882	20,334	8,861	836	1,200	47	883
1883	28,276 ⁹	13,906	2,362	922	205*	2,157
1884	29,056 ⁹	12,181	2,555*	342	800*	3,355*
1885	27,343 ⁹	11,923	3,532*	125*	1,066*	4,598*
1886	28,825 ⁹	13,173	2,631*	1,147*	2,132*	4,763*
1887	20,360	10,259	2,203	1,448	654	2,857
1888	19,522	9,020	2,250	29*	806*	1,444
1889	19,019	8,100	1,213	148*	974*	239
1890	20,934	8,993	1,083	151*	973*	110

* Indicates loss.

¹ Includes all receipts for railroad transportation, but excludes receipts from canals, colliers, and other sources.

² After deducting all railroad operating expenses; before 1880 rental of leased lines was charged as an operating expense.

³ After deducting all fixed charges and including operating results of canals and colliers and other income.

⁴ Includes "balance of interest" income of \$846,000.

⁵ Includes "balance of interest" income of \$1,281,000.

⁶ Includes "balance of interest" income of \$2,269,000.

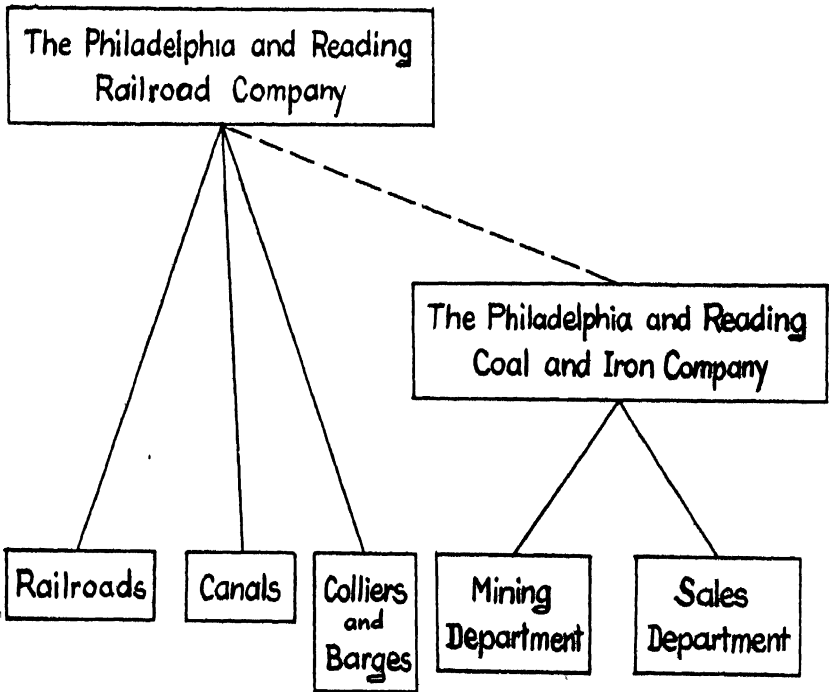
⁷ There are no reports on the Coal and Iron Company, 1871-75. Losses during these years were about \$15,000,000.

⁸ Interest paid in script, 1877-79, not charged against net income.

⁹ Includes Central Railroad of New Jersey.

APPENDIX B

ORGANIZATIONAL CHART



BIBLIOGRAPHY

Six years of searching have revealed few of the thousands of papers Franklin B. Gowen must have left behind him. His personal letters seem to have vanished in some long-forgotten housecleaning, while those in corporate files have fared little better. The Reading Railroad letterbooks are now almost indecipherable, according to Mr. J. V. Hare, secretary-treasurer of the Reading Company. The records of the Pennsylvania Railroad and the Pinkerton National Detective Agency, which may contain useful material, are as yet inaccessible to scholars.

Only a few manuscript sources still remain. There are several Gowen items in the papers of George Kaercher, which his daughter, Mrs. George Kaiser, of Pottsville, kindly allowed me to use. Other letters are in the manuscript collections of the Historical Society of Schuylkill County and in the Garrett Papers in the Library of Congress. The most important single source is a letterbook of the Coal and Iron Company, which has been quoted freely in the text. This was the only record of the period found in the Pottsville office of the corporation, in spite of a thorough search by company officials. The Schuylkill County Judgment Dockets record the judgments placed after the failure of 1859, although they do not give the date of satisfaction.

Some family tradition and personal recollections were obtained from Miss Ellen Gowen Hood, of Chestnut Hill, daughter of Gowen's sister Ellen, and from Judge George Gowen Parry, of Philadelphia, whose father was a close friend of George Gowen. The tale of James Gowen ordering off the firemen was told me by the caretaker at Mount Airy Theological Seminary, who heard it when he first worked there in the early 1890's.

Other details about James Gowen were taken from several of his letters at the Historical Society of Pennsylvania, a campaign pamphlet issued in 1832, another pamphlet entitled, *Brief of Title to Certain Tracts of Land . . . Belonging to the Estate of James Gowen, Esq.* (Philadelphia, 1883), and statements in John H. Campbell, *History of the Friendly Sons of St. Patrick and of the Hibernian Society for the Relief of Emigrants from Ireland* (Philadelphia, 1892), and in S. F. Hotchkin, *Ancient and Modern Germantown, Mount Airy and Chestnut Hill* (Philadelphia, 1889).

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"Testimony Before the Committee to Investigate the Philadelphia and Reading Company and the Philadelphia and Reading Coal and Iron Company," in *Pennsylvania Legislative Documents, 1876*, IV, 495-1133 (Harrisburg, 1876);

"Report of the . . . Committee on Railroads Relative to the Coal Combination," in *New York State Assembly Documents, 1878*, VII, Document 128;

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Morse, Jr., "The 'Molly Maguire' Trials," in the *American Law Review*, XI, 233-260 (January, 1877), is interesting as legal opinion on the justice of the convictions.

The most valuable source material on the Molly investigation would probably have been the daily reports sent in by McParlan. Unfortunately, the Pinkerton Agency states that these reports have been destroyed, and the Reading copies were not available when this was written. The transcripts of the testimony in the Schuylkill County trials were reportedly brought to light by a WPA survey in recent years, but the county official to whom I talked was unable to locate them at the time.

Fortunately, however, journalistic enterprise has preserved the court record almost entire. The Shenandoah *Herald* published all the evidence its reporter could get down in longhand, beginning with the Doyle trial. The Pottsville *Miners Journal* then went the *Herald* one better by hiring a shorthand reporter and printing the testimony *verbatim*. All the major trials of 1876 were covered in this way. The testimony at the trials of the Yost murderers and of Kehoe and his companions for the conspiracy to murder Thomas were also published in pamphlet form. The account of the Mollies given in the text is based very largely on the statements of witnesses at these various trials. A few colorful details have been supplied from Pinkerton's book, although one can never be certain whether stories told there came from McParlan's reports or the imagination of Pinkerton's "ghost-writer."

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The trade publications are invaluable for the study of railroads and mining. Those which have been used are the *Engineering and Mining Journal* (New York), the *Railroad Gazette* (Chicago), and the *Railway World* (Philadelphia; before 1875, the *United States Railroad and Mining Register*). The *Commercial and Financial Chronicle* is somewhat less informative.

Contemporary newspapers provide almost a diary of Gowen's career from the days when he was helping to organize the Pottsville Literary Society until the rain was sweeping across his coffin. The Pottsville *Miners Journal* was especially useful, since it was for many years accepted as the leading authority on the coal trade and was always close to Gowen. Its files have been carefully studied from 1858 to 1880, as well as those of the Shenandoah *Herald* from 1871 to 1879. Among the Philadelphia papers used at various times were the *Times*, the *Press*, the *Inquirer*, the *Record*, and the *Public Ledger*. The *Ledger* is important as Gowen's official organ until 1881. The most valuable New York paper was the *Tribune*, although the *Herald* and the *Evening Post* were also consulted. The London *Times* has been examined for critical periods, as well as the London *Economist* and the London *World*. Other papers used included the Harrisburg *Patriot* and *State Journal*, the Chicago *Tribune*, and the Washington *Star*.

More than fifty pamphlets relating to Gowen and his career have been discovered, besides the annual reports of the Reading. The largest collections are in the library of the Bureau of Railway Economics in Washington, the Philadelphia Free Library, and the New York Public Library. The Pennsylvania State Library, the Historical Society of Pennsylvania, and the Library of Congress have smaller collections. The more important pamphlets are listed below in the order of their publication:

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INDEX

A

Academy of Music, 222, 224, 238, 264, 266, 286
 Adams Express Company, 52, 238
 Albright, Charles, 115, 121
 Alderson, Thomas, 147
 Allegheny City, 163
 Allentown, 13, 49, 180, 236
 Altoona, 162
 Amazon River, 177
 American Construction Company, 244
American Law Review, 151
 American Sugar Refining Company, 169, 236
 American Sunday School Union, 1
 Andes Mountains, 177
 Anglo-French Union Bank, 216, 222, 227
 Anthracite, cleaning of, 7, 15, 39-40, 44-45; percentage of recovery, 209-210; price of, 16-23, 37-44, 153, 155-156, 164-170, 183, 192, 193, 198, 250
 Anthracite Board of Trade, 20, 21
 Anthracite combination, of 1873-76, 44, 153-156; of 1878, 167-169; of 1880-84, 183, 185, 198, 250-251; of 1885, 252-253
 Anthracite fields, 13
 Anthracite industry, background, 13-16
Anthracite Monitor, 25
 Anti-Monopoly Convention of 1875, 66-67
 Archbold, John D., 240-242, 282-283
Ariel, 196
 Arthur, P. M., 158, 159, 162
 Ashland, 16, 69, 70
 Ashton, 69
 Association Hall, 229
 Astor, John Jacob, 270
 Atlantic and Great Western Railroad, 10-11, 216
 Atlantic City, 79, 184, 248, 285
 Audenried, 69, 146

B

Bacon, Henry, 279
 Baedeker, 276
 Baden Baden, 277
 Baer, George, 166
 Baggaley, Ralph, 244, 268
 Baird, 112-113
 Bald Eagle Valley, 245
 Baltimore, 50, 220, 225, 231, 236, 265; riots in, 162
 Baltimore and Ohio Railroad, 51, 162, 180, 183, 185, 212, 220, 231, 235, 236, 248, 262, 263, 265, 268, 288, 289

Bank of Pennsylvania, 2
 Bannan, Benjamin, 7-9, 11, 64
 Bar Harbor, 250
 Barker, Wharton, 252, 253, 262, 264
 Bartholomew, Lin, 59, 115, 121, 123, 129, 276-277
 Bartol, H. W., 253, 254, 262
 Baumgardner, Thomas, 5, 6, 155
 Baxter, Judge, 282
 Bayonne, N. J., 182
 Beard, Samuel, 111
 Beck, George, 141-142
 Beck, John, 5
 Becker, William, 121
 Beck's Academy, 5, 273
 Bedford and Bridgeport Railroad, 257, 259-261
 Beech Creek, Clearfield, and Southwestern Pennsylvania Railroad, 245, 255-257, 259-262, 265
 Beecher-Tilton trial, 89
 Bergen, James, 9
 Bergen, Martin, 147, 149
 Berks County Court, 232
 Berks County Railroad, 50
 Berne, 277
 Bethlehem, Pa., 179
 Bethlehem Steel Company, 121
 Bethlehem Times, 120
 Big Mine Run, 138
 Billingfelt, Esaias, 34-36
 Bines and Sheaff, 154
 Birdsboro, 50
 Blacklist, 92, 93
 Bloomsburg, 142
 Bolivia, 177-179
 Bond, Frank S., 221-224, 227-230, 246
 Borda, Eugene, 56-57, 277
 Borie, Adolph, 188, 194-195, 205-206, 223
 Boston and Maine Railroad, 157
 Bound Brook, N. J., 179, 236
 Bound Brook Railroad, *see* Delaware and Bound Brook
 Boyle, Barney N., 139
 Boyle, James, 108, 116, 139; trial, 121-125, 135; hanging, 143-144
 Boyle, Kate, 139
 Bradford, Pa., 182, 183
 Brazil, railroad in, 176-179
 Brennan, John, 147
 Bridgeman, Father, 101
 Broad Street Station, 181, 289
 Brooke, Senator, 34
 Brotherhood of Locomotive Engineers, 66, 157-162
 Buchanan, James, 2

"Buckshots," 87
 Buffalo, N. Y., 51, 102, 157, 166, 182,
 185, 240, 245
 Buffalo, New York, and Philadelphia
 Railroad, 185
 Bullitt, John C., 221, 222, 229-230
 Bulwer-Lytton, Lord, 275
 Burns, Patrick, 146-147
 Butler, Patrick, 110, 122, 138, 145, 149

C

Cairns, Earl, 201, 203-205, 207, 214, 215
 Cake, Henry L., 19, 24
 Caldwell, Stephen A., 200, 201, 205, 249
 Camden and Amboy Railroad, 51
 Campbell, Alexander, 101, 108, 109, 111,
 113, 115, 116, 140; trial, 127-128;
 hanging, 144
 Campbell, Mrs. Alexander, 143
 Campbell, John, 141
 Canada, 51, 147
 Canning, Dennis, 122, 147; trial, 135-137
 Cannon Street Hotel, 214, 226, 228, 233
 Cape Hatteras, 178
 Carbondale, 13
 Carey, Michael, 107, 110
 Carnegie, Andrew, 185, 243, 244, 258,
 259, 270, 278, 288
 Carroll, James, 108-111, 115, 116, 123,
 139, 290; trial, 121-125, 135-138;
 hanging, 143-145
 Cassatt, A. J., 183
 Cassidy, Lewis C., 260-261
 Catawissa Railroad, 10, 11, 49, 105, 185,
 227, 236
 Catholic clergy, attitude toward Hiber-
 nians, 121, 132, 145; toward Knights
 of Labor, 174-176
 Catholic Workingmen's Society, 174-175
 Centennial Exposition, 171
 Central Railroad of New Jersey, *see*
 Jersey Central
 Chester, Pa., 49, 180, 182, 183, 239
 Chester Oil Company, 239
 Chestnut Hill, 49
 Chicago, 98, 99, 105, 157, 180
 Chicago *Times*, 97
 Childs, George W., 264
 Christmas, 273-274
 Church, G. E., 177-179
 City Bank of New York, 200
 City Terminus Hotel, 191
 Civil War, 9, 10, 12, 54, 58, 105, 177
 Clark, Edward W., 167, 236, 237
 Clearfield, 245
 Cleveland and Marietta Railroad, 280,
 281
 Closed shop, 24
 Clovelly, 277
 Coal, *see* Anthracite
 Coal and Iron Company, *see* Philadel-
 phia and Reading Coal and Iron
 Company
 Coal and Iron Police, 105, 116, 117, 143,
 147, 151-152, 165
 Coal Castle, 9
 Coal lands, value of, 56, 187, 190, 206,
 208-210, 228, 229
 Coal Run, 147
 Coaldale, 69, 108, 135
 Coblenz, 276
 Cole, George W., 91
 Colebrookdale Railroad, 54
 Collateral trust loan, 246, 251, 254
 Collins, Patrick, 133, 144
 Collins, Philip and Thomas, 178-179
 Cologne, 276
 Colorado, 149
 Columbia, Pa., 13, 50
 Committee on Commerce, U. S. House
 of Representatives, 183; on Manu-
 factures, 279-285.
 Committee on the Judiciary, General,
 Pa. General Assembly, 27-29
 Communipaw, N. J., 182
 Communists, 84
 Company stores, 8, 92
 Congress, 177, 183-184
 Conkling, Roscoe, 238
 Connellsville, 262, 268
 Conry, Patrick, 133
 Conshohocken, 236
 Consolidated mortgage, 36, 54-55, 269
 Consols, 211-212, 232, 234, 235
 Constitutional Convention of 1872-73,
 57-61, 273
 Cooke, Jay, and Company, 45, 199
 Cooney, Fenton, 102
 Cooney, Michael, 100
 Cooperatives, 81
 Corbin, Austin, 270-272
 Corning, N. Y., 231
 Corsair, 257
 Cosgrove, Edward, 95, 104
 Coxe, Eckley B., 285
 Craig, Allen, 115
 Cresheim, 273, 274
 Crime in Schuylkill County, 9-10, 90-
 92, 129-131, 151-152
 Cull, Manus, *see* Kelly, Daniel
 Cumberland, Md., 162, 185
 Cumming, Benjamin W., 8

D

Dallas, George M., 221, 229-230
 Danville, 49
 Darcy, Michael, 111
 Darrach, Mr., 48
 Dauphin, 13
 Dauphin County Court, 260-261
 Davis, Irwin, 177

Davis, Morgan P., 147
 Dayton, 10
 Debenture bonds, 235
 Deferred income bonds, 207-208, 211, 215-217, 219, 222, 227, 228, 232-235
 Delaware and Bound Brook Railroad, 179-181, 208
 Delaware and Hudson Canal Company, 14, 16, 44, 51, 71, 156, 157, 167, 168, 172, 183
 Delaware and Raritan Canal, 51, 181
 Delaware, Lackawanna, and Western Railroad, 14, 16, 32, 44, 51, 71, 156, 164, 167, 168, 181, 265
 Democratic party, 2, 8, 57, 88, 95-96, 238, 259-260, 273
 Denver, 100
 Depew, Chauncey, 256, 257
 Depression of 1873, 45-46, 62, 186, 199
 Dewees, Francis P., 150
 Dickson, Thomas, 44, 156, 167, 168, 172, 231
 Dinsmore, William B., 238, 269
 Discriminatory freight rates, 183, 279, 280, 283-285; *see also* Rebates
 Dividends, suspension of, 186
 Dodd, Mr., 282
 Dolan, Barney, 104
 Dolan, Patrick, Sr., 138
 Donahue, Matthew, 140
 Donahue, Thomas, 139-140
 Donahue, "Yellow-Jack," 105-106, 140, 146; trial, 135-138; hanging, 144
 Donaldson, 171
 Donnelly, Christopher, 101, 122; trial, 135-138
 Donnelly, Dennis, 145
 Doolin, Michael, 140
 Dormer, Pat, 100-102
 Dougherty, Daniel, 104, 106
 Dougherty, Neil, 141
 Dowling, Dennis, 118
 Doyle, Michael, 106, 107, 110, 116, 131, 135
 Doyle, Michael J., 111, 120, 121, 127; trial, 114-115; hanging, 143-144
 Drake, Edwin L., 181
 Drawbacks, *see* Rebates
 Drexel, A. J., 254, 264
 Drexel and Company, 248, 251, 262
 Drexel, Harjes and Company, 276
 Duffy, Thomas, 116, 122, 135, 290; trial, 121-125, 139; hanging, 143-145
 Dugan, James, 109, 139
 Dunne, Henry H., 90, 91, 134
 Durkin, Thomas, 146-147

E

East and West Mount Laffee Collieries,
 6

East Pennsylvania Railroad, 54
 East Side Railroad, 248
 Easton, 180
 Easton and Amboy Railroad, 51
 Edwards Rollin, 150
 Ehrenbreitstein, 276
 Eistedfodd, 276
 Elba, 262
 Electoral Commission, 224
 Elizabethport, N. J., 181
 Elwell, William, 30, 31
 Emery, Lewis, 283
 Emmitsburg, Md., 5
 Empire Transportation Line, 280, 283
 Emporium, Pa., 185
Engineering and Mining Journal, 46
 England, 150, 191, 214, 228
 Erie, 179
 Erie Canal, 157, 179, 182
 Erie Railroad, 10, 14, 51, 183, 216, 264
 Europe, 161, 162, 196, 219, 233, 234, 246, 247, 254, 258, 265, 272, 276, 277

F

Factors, 37, 39-41, 78, 81, 167
 Fairmount Park, 171
 Farmers and Mechanics Bank, 200
 Farquhar, Guy E., 121, 275
 Fennel, Thomas, 149
 Fidelity Trust Company, 200
 Field, Cyrus W., 270
 Fielders, Thomas, 114, 128
 Fisher, Thomas, 140, 146
 Fitler, Edward H., 143
 Flagler, Henry M., 183
 Floating debt, 186, 188-194, 196-198, 200, 202-204, 207, 211, 232, 234, 246, 248, 250, 253, 254
 Florence, 277
 Florida, 60
 Flynn, 124
 Forestville, 90, 139
 Forrest Building, 268, 272, 287
 Forty-Eighth Pa. Regiment, 9-10
 Foster, Albert, 287
 Foster, Thomas, 112
 Frankfurt, 277
 Franklin, Supt. Benjamin, 87, 99, 100, 104, 105, 111, 113, 117, 127
 Franklin, Pa., 10
 Franklin Coal Company, 33, 34, 36
 Free pass system, 59
 Freiburg cathedral, 277
 Freight rates, increase of, 20, 25
 Frick, Henry Clay, 244

G

Gallagher, Father, 148
 Gardiner, J. H., 189
 Gardyne, Mr., 216

- Garrett, John W., 51, 185, 219, 231, 235, 248, 274, 277, 286
 Garrett, Robert, 231, 235, 263, 268, 270, 277
 Gavin, William, 135, 138
 Geary, Gov. John White, 27, 29, 30, 35
 Geissbach, 277
 General mortgage bonds, 55, 186, 190-193, 200, 202-205, 211, 234, 235, 250, 253, 269; bondholders committee, 201-205, 207
 Geneva, 277
 Genoa, 277
 Germantown, 3, 49, 181
 Germantown *News*, 97
 Germany, 150
 Gettysburg, 236
 Gibbons, John, 104, 106, 107, 149; trial, 135-137
 Gilbert, Lyman D., 261
 Gilberton, 110
 Gilchrist, James, 146
 Girard Estate, 34
 Girardville, 101, 109, 110, 117, 118, 142, 172, 174, 175
 Gold Rush, 178
 Gowen, Alfred, 3, 5, 8
 Gowen, Daniel, 1
 Gowen, Ellen, 3, 4
 Gowen, Emily, 4
 Gowen, Esther (daughter), 8, 274
 Gowen, Esther (wife), 6, 274
 Gowen, Francis I., 258, 276, 287, 288
 Gowen, Franklin Benjamin, birth, 4; early career, 5-11; elected Reading president, 18; purchase of coal lands, 32-37; organization of anthracite industry, 37-46, 153-157, 167-170, 183, 252-253; troubles with retail coal dealers, 46-48, 77-79; expansion of railroad, 49-54, 179-181, 185, 235-238, 243-245; financial policies, 54-57, 186-200, 203-212, 232-235, 269-272; investigation of Molly Maguires, 87-152; political activity, 8-11, 273; battle with McCalmonds, 201-230; break with Keim, 246-254, 262-268; private life, 273-278; labor policies, 19-31, 62-76, 84-85, 157-162, 164-165, 170-176; views on reform, 57-61, 183-184, 223-226, 239-240, 278-285; death, 286-287
 Gowen, Franklin Benjamin, Jr., 10
 Gowen, George Washington, 4-7, 9, 10
 Gowen, George Wolf, 3
 Gowen, Henry, 4, 5
 Gowen, James, 1-5, 12
 Gowen, James (son), 8, 10
 Gowen, James Emmet, 3, 5, 8, 77, 238, 254
 Gowen, Mary, 4
 Gowen, Mary Miller, 3
 Gowen, Rebecca, 4
 Gowen compromise, 20-21
 Gould, Jay, 237, 270, 277, 288
 Government ownership of pipe lines, 284
 Goynes, William, 9, 90
 Grant, U. S., 188
 Great Lakes, 179, 185, 225, 236, 240
 Green, Ashbel, 222, 229
 Green, John P., 260
 Greenback-Labor party, 67, 166
 Gwyther, Squire, 109, 133
- ## H
- Hagenman, Judge, 232
 Hamburg, 234
 Hancock, Mr., 83
 Harmony Society, 243
 Harpers Ferry, 236
 Harris, Joseph S., 208-210, 223, 229
 Harrisburg, 13, 15, 66, 67, 77, 96, 148, 149, 163, 174, 180, 184, 185, 225, 236, 243-245, 261, 268, 273
 Harrisburg and Western Railroad, 268
 Harrisburg *Patriot*, 68, 70, 151
 Harrisburg *State Journal*, 27, 28, 36
 Hartranft, Gov. John F., 70, 77, 95, 136, 141, 148-149, 163, 222
 Hayes, Barney, 139
 Hayes, Rutherford B., 224
 Hazleton, 13, 69-72
 Heaton, Robert, 110
 Hecksherville, 69, 71
 Heidelberg, 277
 Heine, Heinrich, 276
 Herndon, 13
 Hesseltine and Powell, 191
 Hesser, Frederick, 147, 149
 Hester, Patrick, 142-143, 145-146
 Hester, Mrs. Patrick, 146
 Hewitt, Abram S., 244
 Hibernian Society for the Relief of Emigrants from Ireland, 1
 Hibernians, Ancient Order of, *see* Molly Maguires
 Higgins, Mary Ann, 109, 116, 119, 124
 Holmes, Sherlock, 150
 Hood, James E., 288
 Hostetter, Bert, 278
 Hostetter, David, 243, 244, 259, 278
 Hotel Bellevue, 231, 258, 286
 Hotel de la Couronne, 276
 Hoyt, George, 44, 167, 169, 231
 Hudson River, 157
 Hughes, Danny, 117
 Hughes, Francis, 115, 121, 275
 Hulings, Representative, 239, 240
 Huntingdon, 67
 Hurley, Thomas, 104, 106, 107, 110, 116, 131, 135, 138, 149
 Hyland, Mrs. Bridget, 139

I

Improvement mortgage, 55, 269
 Income mortgage, 190, 250
 Income bonds, 253
 Indiana, Bloomington, and Western Railroad, 270
 Interest, partial suspension of, 191-193, 196-198
 Interlaken, 277
 Interstate Commerce Act, 279, 284
 Interstate Commerce Commission, 289; proposed, 184; hearings before, 279, 285, 286
 Interstate Commerce Committee, U. S. Senate, 279
 Investigation of 1871, 27-29; of 1875, 66, 77-86, 107
 Ireland, 1, 88, 131
 Irish in Schuylkill County, 9-10, 88-89, 93-96, 131-132
Irish World, 151
 Iron Clads, 95
 Iron Industry, 53-54

J

Jackson, Andrew, 2
 James, Gomer, 95, 104, 106, 110, 138, 150
 Jenkintown, 179
 Jersey Central (Central Railroad of New Jersey), 13, 32, 44, 51, 75, 155-157, 164, 168, 179-183, 236, 237, 248, 249, 251, 253, 254, 262, 265, 268, 270, 271, 289
 Jersey City, 196
 Jersey Shore and Pine Creek Railroad, 236, 240, 243, 245
 Jewett, Hugh J., 183
 Johnson, C. Ben, 73
 Jones, B. F., 244
 Jones, J. W., 48, 191, 194, 201, 218, 221
 Jones, John P., 108, 111, 150; trial for murder of, 114-115, 120, 127-128
 Junction Railroad, 180, 183, 220

K

Kaercher, George, 121, 266-267, 269, 275-277
 Kalbfus, Daniel, 115, 121, 127-128
 Kane, Jeremiah, 115, 138
 Kane, John, 146-147
 Kansas, 147, 157
 Keenan, Frank, 138
 Kehoe, John, 101, 104-106, 110, 113, 117, 118, 121, 133, 136, 139, 290; trials, 135, 137, 141-142; hanging, 147-149
 Kehoe, Mrs. John, 149
 Keim, George deB., 11, 157, 216, 218, 227, 231-232, 246-253, 258, 262, 263, 266-268, 277, 287

Kelly, Daniel ("the Bum"), 142, 146, 147, 149, 290
 Kelly, Edward, 111, 115, 127; trial, 120; hanging, 144
 Kemble, William H., 180-181, 184-185
 Kerns, Thomas F., 286
 Kerrigan, James, 107-111, 113, 115-117, 120, 122-124, 127, 133, 137-140, 146, 147, 149, 150, 290
 Kerrigan, Mrs. James, 116, 124-125
 Kidder, Henry, 220
 Kidder, Peabody, and Company, 213, 215, 218, 220, 221
 Knight, Edward C., 169, 180, 225, 231, 236, 237, 244, 257, 258
 Knights of Labor, 170, 172-175
 Know-Nothingism, 88
 Kuhn, Loeb, and Company, 215

L

Labor Reform party, 95
 La Chapelle, Comte de, 216
 Lackawanna, *see* Delaware, Lackawanna, and Western Railroad
 Lackawanna River, 13
 Lancaster, 5, 15
 Lane, John Q., 77, 79, 80
 Langdon, Frank, 9, 91, 148, 149; trials for murder of, 141-142
 Lansford, 111, 146
 Lathrop, Francis S., 183, 197
 Laurel Run Improvement Company, 34-36, 79-82, 86; *see also* Philadelphia and Reading Coal and Iron Company
 Lawler, Michael, 100-104, 112, 122, 140, 150
 Lebanon Valley Railroad, 54
 Lehigh and Wilkes-Barre Coal Company, 69, 75, 114, 155, 167
 Lehigh Canal, 14
 Lehigh Coal and Navigation Company, 14, 32, 44, 51, 168
 Lehigh River, 13
 Lehigh Valley Railroad, 14, 32, 33, 44, 50, 51, 154, 156, 164, 166, 168-169, 172, 180, 181, 183, 244, 265, 285
 Lewis, Edwin M., 200, 201, 205, 216-217, 231, 249, 251
 Lewis, Henry, 244, 259, 272
 Lewisburg, 10
 Lincoln, Abraham, 2
 Linden, Robert J., 105, 108-110, 118, 122, 127, 142, 165, 287-288
 Linderman, G. B., 168
 Lippincott, J. B., 150, 231, 244
 Lititz, 5
 Littlehales, William H., 90, 134
 Loan of 1871, 36, 54-55; of 1872, 55; of 1873, 55; of 1874, 55; of 1876, 186, 192; of 1882, 234-235

Lock Haven, 239, 245
 Locust Gap, 145, 146
 Locust Summit, 69
 Logan, James A., 261
 London, 177, 189, 191, 203-205, 211, 213,
 214, 216, 218, 219, 233, 234, 270, 276
 London Stock Exchange, 191, 215
 London *Times*, 215, 220
 Long Island Railroad, 270
 Lost Creek, 110, 122, 138, 145
 Love, Thomas, 110
 Love, William, 110, 133
 L'Velle, Martin M., 121, 129, 130, 134,
 136

M

Madeira and Mamore Railroad, 177-179
 Madeira River, 177
 Magee, Christopher, 244
 Magee, George J., 231, 236, 245, 255-
 259, 261
 Magnolia Villa, 12
 Maguire, John, 173
 Maguire, Patrick, 221
 Mahanoy City, 64, 72, 95, 104, 106, 107,
 109, 118, 135, 165
 Mahanoy Plane, 106, 118
 Major, George, 104
 Major, Jesse, 106
 Major brothers, 95, 137
 Malloy, John, 141
 Mammoth Vein, 53, 65, 104
 Mandamus, use to prevent discrimina-
 tion, 184, 239, 279, 284
 Marietta, Ohio, 278-280
 Martinsburg, W. Va., 162
 Massachusetts, 169
 Mauch Chunk, 13, 14, 30, 111, 113-115,
 127, 141, 143, 144, 146, 149
 McAllister, Charles, 112, 116, 117, 140
 McAllister, Ellen, 112, 113
 McAllister, James, 110, 112-113, 140
 McAndrew, Frank, 103, 104, 106, 107,
 110, 111, 117-119, 149
 McCalmont, Hugh, 214, 215, 223
 McCalmont, Robert, 189, 214
 McCalmont Brothers and Company, 33,
 55, 178, 181, 187-189, 199, 201, 202,
 208, 213-216, 218-223, 226, 228-230,
 232, 233, 264, 277
 McCarron, Barney, 107
 McClure, A. K., 90
 McDermott, Father Daniel, 144-145
 McDonnell, James, 146-147, 149
 McEwen, James, 208, 213
 McGee, Columbus, 141
 McGee, Michael, 141
 McGehan, Hugh, 108, 109, 116; trial,
 121-125, 135; hanging, 143-144
 McHenry, James, 216, 227, 234
 McHugh, Cornelius T., 140
 McHugh, Frank, 135-137
 McHugh, Patrick, 149
 McHugh, Peter, 142-143, 146
 McKean, H. Pratt, 205-206
 McKenna, James, *see* McParlan, James
 McKenna, Michael, 108
 McKenna, Patrick, 140
 McKennan, Justice, 222
 McLeod, A. A., 289
 McManus, Peter, 147, 149
 McNellis, 108, 109
 McNulty's gang, 173-174
 McParlan, James (alias James McKen-
 na), 72, 99-111, 113, 115-125, 127-
 133, 135-142, 149-151, 157, 290
 McShea, John, 139
 McVeagh, Wayne, 261
 Meadville, 242
 Mechanics' and Workingmen's Benevo-
 lent Association, 65-66, 69
Mercedita, 178
 Merion, 257, 259
 Milan, 277
 Miller, Joseph, 3
 Miller, Sebastian, 3
 Mills, Darius Ogden, 244
 Milquetoast, Caspar, 221
 Milton, Pa., 185
 Milwaukee, 157
 Miners, grievances of, 9, 16, 171-172,
 174-175; wages of, 170-174, 196-198,
 see also Sliding scale
 Miners' and Laborers' Benevolent As-
 sociation, *see* Workingmen's Benev-
 olent Association
Miners Journal, 27, 36, 62-66, 69, 87, 90,
 91, 93, 97, 112, 125, 127
 Miners' National Association, 71
 Modocs, 95
 Molly Maguires, 69, 87-152, 175, 191,
 225, 226, 233, 260, 267, 269, 286, 288,
 290
Molly Maguires and the Detectives, The,
 150
 Monaghan, Ned, 128-129, 133, 139
 Moravians, 5
 Morgan, J. Pierpont, 254-257, 259-261,
 269-272, 277, 288
 Morgan, J. S., 276
 Morris, John, 107, 135-137
 Morris and Essex Railroad, 10, 11, 51,
 181
 Mount Airy, 1-4, 6, 12, 161, 197, 217,
 249, 273, 276
 Mount Airy Theological Seminary, 4
 Mount Laffee, 101, 111, 115, 118, 138
 Mount St. Mary's, 5
 Muir, David, 91, 134
 Mulhearn, Charles, 116, 140, 146, 147
 Mulhearn, Edward, 115

Mumma, Senator, 33-34

Muncy, Pa., 179

Munich, 277

Munley, Michael, 128-129, 139

Munley, Thomas, 110, 111, 116, 117, 137, 139, 149, 150, 275, 290; trial, 128-135; hanging, 143-144

Musical Fund Hall, 218, 221

N

Napoleon, 260, 269, 272, 287

Narrow Gauge Line, 248

National Bolivian Navigation Company, 177

National Transit Company, 280

Nead, Benjamin, 261

Newark *Daily Journal*, 68

New Deal, 285

Newell, William J., 214

New England, 15, 51, 157, 169, 263

New Jersey legislature, 237; investigation by, 169

Newton-Stewart, 1

New York Central, 51, 183, 212, 226, 234, 236, 243, 245, 247, 249, 254-256, 259, 263, 289

New York City, 10, 14, 15, 24, 25, 44, 51, 71, 80, 83, 99, 135, 153, 155-157, 163, 167, 179-182, 205, 212, 213, 221, 225, 226, 231, 236, 238, 247, 250, 252, 254, 255, 258, 260, 263, 265

New York *Graphic*, 68

New York *Herald*, 70, 97, 178

New York legislature, investigation by, 169

New York *Tribune*, 44, 54, 67, 68, 70, 97

Norristown, 49, 236

North Pennsylvania Railroad, 49, 169, 179, 181, 197, 208, 225

North Philadelphia, 181

Northern Central Railroad, 25, 32, 180, 213, 261

O

O'Brien, Michael, 135-138

O'Connor, Father Daniel, 118-119, 174-176

O'Day, Daniel, 280-282

O'Donnell, Mrs., 113

O'Donnell, Charles, 110, 112-113

O'Donnell, James, 110, 116

O'Donnell, Patrick, 141, 145

Oliver, Henry W., 244

O'Neill, Francis, 138

O'Neill, John, 147, 149

O'Neill, Patrick, 147

Oil, *see* Petroleum industry

O'Reilly, Father, 175

P

Packer, Asa, 44, 50, 154, 166, 168, 285

Palmer, Henry W., 240, 241

Pardons, 95-96, 133, 136, 141

Pardons Board, 143, 147-149, 185

Paris, 216, 235, 276, 277

Paris Commune, 163

Parrish, Charles, 75

Pastorius, F. D., 3

Patterson, Elisha G., 239-242

Patterson, Robert, 225

Pattison, Gov. Robert, 240, 242

Payne, Oliver H., 244

Peale, S. R., 261

Pease, Phineas, 280-281

Pennsylvania Agricultural Society, 2

Pennsylvania Canal, 50

Pennsylvania Coal Company, 14, 16, 44, 153, 157, 167-169

Pennsylvania Company, 261

Pennsylvania General Assembly, 27-29, 33-36, 66, 77-86, 107, 180-181, 238-243

Pennsylvania Railroad, 11, 25, 32, 44, 51, 59-60, 86, 95, 153, 157, 162-163, 167-169, 179-181, 183, 184, 206, 208, 212-214, 219, 220, 223-226, 236, 238-240, 243, 245, 246, 250, 254-261, 263-265, 268, 278-281

Pennsylvania State College, 2

Pennsylvania Supreme Court, 10, 143, 147, 184, 222, 224, 226, 232, 261, 278

Pennsylvania Turnpike, 245

Perkiomen Railroad, 49, 55

Pershing, Cyrus L., 95-96, 136, 143

Perth Amboy, 181

Petroff, Emile J., 184

Petroleum industry, 181-184, 278-285

Pettit, Silas W., 77, 79, 80

Philadelphia, 1, 2, 11-13, 15, 37, 46, 49, 51, 53, 60, 62, 67, 71, 80, 83, 99, 100, 105, 113, 119, 133, 143, 150, 155, 157, 163, 170, 171, 175-181, 183, 184, 189, 196, 197, 199, 200, 203, 205, 207, 212, 215-217, 220, 221, 223, 225, 227, 229, 231, 232, 234-236, 238, 247, 248, 250-254, 256, 258, 261, 264, 265, 267, 269, 270, 273, 274, 277, 281, 286, 287

Philadelphia and Erie Railroad, 11, 213, 225

Philadelphia and Reading Coal and Iron Company, 36-39, 42, 45-47, 49, 53, 55-57, 59, 63-65, 68, 69, 79, 80, 82, 97, 126, 150, 153-154, 164-165, 167, 171-173, 186-190, 193, 196, 197, 199, 200, 205, 208, 210, 227, 253, 270, 287, 289; *see also* Laurel Run Improvement Company

Philadelphia and Reading Railroad Company, *see* Reading Railroad

- Philadelphia City Council, 52, 224
 Philadelphia Coal Company, 19
 Philadelphia courts, 222
 Philadelphia creditors' committee, 203, 205, 213
 Philadelphia *Evening Bulletin*, 141
 Philadelphia, Germantown, and Norristown Railroad, 49
 Philadelphia *Inquirer*, 114, 126
 Philadelphia *Press*, 65, 198, 231, 243, 285
 Philadelphia *Public Ledger*, 167, 176
 Philadelphia *Record*, 221, 228
 Philadelphia *Times*, 64, 114, 144, 151, 159, 165, 170, 172, 201, 237, 242, 243, 245, 252, 253, 264, 266, 271
 Philadelphia, Wilmington, and Baltimore Railroad, 49, 180, 220, 223
 Philipsburg, Pa., 245
 Philpot Lane, 214-215
 Phoenixville, 236
 Pinkerton, Allan, 87, 96, 98, 99, 105, 107, 120, 130, 143, 150
 Pinkerton Detective Agency, 87, 117, 149, 151, 180, 181
 Pittsburgh, 54, 149, 162, 180, 185, 200, 222, 239, 240, 243-245, 258, 262, 265, 268; riots in, 163
 Pittsburgh and Lake Erie Railroad, 243
 Pittsburgh *Chronicle*, 244
 Pittsburgh, McKeesport, and Youghiogheny Railroad, 243-244
 Pittston, 13, 14, 64
 Port Allegany, 185, 225, 236
 Port Carbon, 17
 Port Richmond, 15, 39, 40, 45, 46, 52, 64, 79, 153, 167, 227
 Pottsville, 6-11, 13, 15, 16, 53, 65, 73, 87, 88, 100, 102, 105, 107, 113, 115-117, 121, 123, 127, 133, 141-145, 147-150, 171, 199, 236, 267, 275-277, 286, 289
 Pottsville Athenaeum, 170
 Pottsville Literary Society, 7, 59
 Powderly, Terence V., 175
 Powell, Morgan, 140, 141, 145, 146, 150
 Powell, Thomas Wilde, 191, 203, 205-207, 213, 277
 Pratt, Henry, 1
 Prohibition, 57
 Public Works Company, 177-178
- Q
- Quarles, Mr. 287
- R
- Racketeering, 137
 Railroad Committee, Pa. House of Representatives, 239
 Railroad regulation, 58-61
- Railroad riots, 162-166
 Railroad Riots Act, 180-181, 184-185
Railway World, 86, 212, 214
 Randall, Samuel, 273
 Raven Run, 110, 116
 Rea, Alexander, 91, 134, 142, 143, 145
 Reading, 13, 15, 46, 50; riots in, 163-164, 166
 Reading and Columbia Railroad, 54
 Reading *Eagle*, 63
 Reading Railroad, in 1867, 13-15; expansion, 49-54; financial difficulties, 54-57, 186-200; engineers' strike, 157-162; North Penn lease, 179-181; first receivership, 200-230; reorganization of 1883, 232-235; Jersey Central lease, 235-238, 268; second receivership, 249; second reorganization, 249-253, 267-272; today, 289
 Rebates, 15, 59, 83, 179, 182, 184, 185, 239, 240, 280, 281, 283, 284
 Reese, 111
 Reform Club, 273
 Regi-Kulm, 277
 Reilly, James B., 115
 Renewal fund, 191
 Reorganization trustees, 262, 269, 271
 Republican party, 9
 Reserve fund, 186, 187
 Retail coal dealers, 41-43, 46-48, 66-67, 77-79, 82-83, 155
 Retail coal yards, set up, 38; abandoned, 154, 227
Review of the Annual Reports, 221, 228
 Ribbonmen, 87
 Rice, George, 278-283, 286
Richelieu, 275
 Riggs House, 286
 Riles, Mrs., 140
 Riles, James, 140
 Roarty, James, 108, 109, 116, 139; trials, 121-125, 135; hanging, 143-144
 Roberts, George, 224, 255-257, 259, 260, 264
 Robeson, George M., 238
 Rock Island, Ill., 146
 Rockefeller, John D., 283, 288
 Rockefeller, 244, 278
 Rockville, Pa., 13
 Rosengarten, Joseph, 275-276
 Rutter, Mr., 247, 256
 Rye Beach, 243
 Ryon, James, 95, 96
 Ryon, John W., 115, 121, 123, 125
- S
- St. Clair, Pa., 16, 138
 St. Helena, 269, 272
 Salamanca, N. Y., 10
 Sandy Hook, 257

- Sanger, Thomas, 110, 116, 150
 Sanger-Uren murder trials, 128-135, 140, 145
 Saratoga, 183, 249, 255, 258-260
 Sayre, Robert H., 156, 168, 244, 253, 258
 Schell, Augustus, 229-231
 Schuylkill Canal, 14, 20, 49, 50, 61, 227
 Schuylkill Coal Exchange, 63, 72-74, 153
 Schuylkill Navigation Company, 15, 191, 235
 Schuylkill River, 13, 180
 Scott, John, 261
 Scott, Thomas A., 167, 169, 224
 Scranton, 13, 64, 71, 153, 157, 170, 175, 183, 197, 231; riots in, 30, 165-166
 Scranton *Times*, 68
 Scrip, 191, 235, 249, 253
 Secret ballot, 57
Secret Service, 150
 Shamokin, 6, 13, 25, 180
 Shamokin, Sunbury, and Lewisburg Railroad, 236
 Sharp, Charles, 146-147, 149
 Shenandoah, 13, 72-74, 101-106, 108, 110, 112, 113, 117, 118, 122, 128, 135, 140, 141, 149, 150, 165, 170, 175
 Shenandoah *Herald*, 31, 52, 111, 112, 114, 120, 121, 128, 139, 148
 Sheridan, Phil, 237
 Shipyard, 52, 227
 Short weights, 47-48, 77-80, 83
 Siewers, E. R., 115
 Siney, John, 16, 20-23, 25, 26, 71, 95, 126, 277
 Singer Sewing Machine Company, 236
 Sitting Bull, 237
 Slatington, 50
 Slattery, John, 133, 140-141, 146
 "Sleepers," 100, 101
 Sliding scale, 17, 22, 155, 164, 165, 170-172, 198
 Sloan, Samuel, 44, 167, 168, 231
 Smith, Charles E., 18, 49, 188, 189, 191, 193-195, 199, 201, 218, 221, 222, 234, 277, 287
 Smith, George K., 91, 134, 146-147
 South America, 177
 South Pennsylvania Railroad, 243-245, 254-262, 265, 268, 270, 271, 278
 Speculation in Reading stock, 187-188, 196-198
 Spooner, Mr., 83
Statement of the Present Condition, 208-212
 Standard Oil Company, 181-185, 238-244, 278-285
 Stanton, John, 140
 Steam colliers, 51
 Stein, Levi, 125
 Stevens, Edwin, 286
 Storm Hill, 108
 Strabane, Academy of, 1
 Strikes of 1867-68, 16; of 1869, 17-18; of 1870, 19-21; of 1871, 21-31, 62, 64; of 1875, 63-76, 104-105, 153, 154; of 1877, on Reading, 157-162, 191, on other roads, 162-166, 170
 Sully, Alfred, 271
 Summit Hill, 69, 108, 124, 140
 Sunbury, 6, 147, 149, 180
 Susquehanna Canal, 50, 227
 Susquehanna Canal Company, 191, 235
 Susquehanna River, 13, 245
 Sweeney, Edward, 117-118
 Sweeny, James, 146
- T
- Tamanend, 49
 Tamaqua, 49, 101, 107-111, 116, 117, 123, 124, 138, 170, 182, 206, 236
 Tamaqua *Courier*, 141
 Tatem, A., 221
 Taylor, Moses, 200
 Texas and Pacific Railroad, 221
 Thomas, Benjamin B., 20, 40
 Thomas, William M. ("Bully Bill"), 95, 106, 107, 109, 128, 129, 135, 137, 139-140, 150
 Thomson, Frank, 255-257
 Tidewater Pipe Line, 182-185, 239, 241-243, 283
 Titusville, 181, 182
 Towanda, 149
 Tremont, 9
 Trenton, 238, 258
 Tucker, John, 229
 Tully, Patrick, 142-143, 146
 Turner, James G., 6-8
 Tuscarora, 135, 146
Twice Defeated, 150
 Twombly, Hamilton McKown, 244, 247, 249, 250, 252, 253, 255-259, 278
 Tyrone, 245
- U
- Union League, 258
 United Companies of New Jersey, 51
 U. S. Circuit Court, 200, 208, 222, 232, 238
 Uren, William, 110, 116
- V
- Valley of Fear, The*, 150
 Vanderbilt, Cornelius, 231
 Vanderbilt, William H., 183, 226, 227, 229-231, 236, 243-245, 247, 249-259, 261, 263, 264, 268, 277, 286, 288
 Vanderbilt heirs, 270, 277, 278
 Venice, 277
 Voting trustees, 269-272

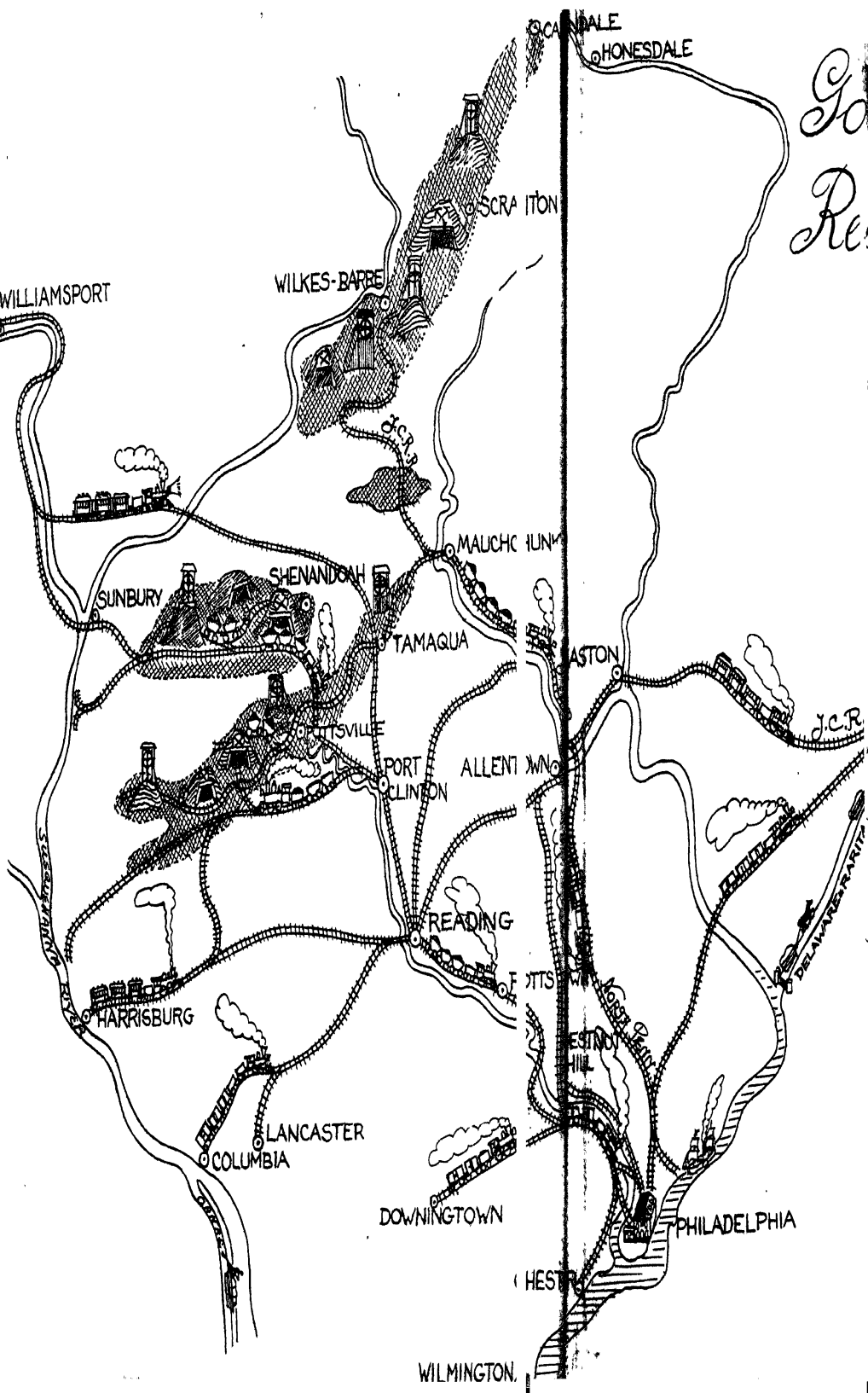
W

Wage certificates, 196, 197, 249
 Wallace, William, 273
 Wanamaker, John, 253, 271
 Washington, D. C., 149, 239, 279, 286,
 287
 Weehawken, 245
 Welsh, John F., 73, 75
 Welsh, John Lowber, 269, 272
 Wenrich, Frank, 113
 West Philadelphia, 180, 181
 West Shore Railroad, 245, 256, 259
 Whelen, Joseph S., 252-254, 262
 White, J. B., 205
 White Boys, 87
 Whiting, S. B., 176
 Whitney, William C., 244
 Wiesbaden, 234, 276
 Wiggan's Patch, 110, 112, 140
 Wilkes-Barre, 10, 13, 14, 51, 64, 70, 113
 Williams, Richard, 34

Williamson, ex-Chancellor, 238
 Williamson, I. V., 244
 Williamsport, 49, 51, 182, 185, 219, 236
 Wilmington and Reading Railroad, 50
 Wilson, Mr., 48
 Wolf, Gov. George, 2
 Wolford, D. N., 286
 Woman suffrage, 57
 Wood, Archbishop, 174, 175
 Woodward, George W., 58
 Wootten, J. E., 157, 158, 160
 Workingmen's Benevolent Association,
 16-26, 28-31, 62-76, 96, 126
 Workmen's compensation, 63
 Wormley's Hotel, 286-287

Y

Yost, Benjamin Franklin, 107-109, 116,
 144, 145, 150; trial for murder of,
 121-125, 135, 139
 Youngstown, 243



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